



SOCIAL SECURITY

MEMORANDUM

Date: December 17, 2001

Refer To:

To: JoAnne B. Barnhart
Commissioner

From: Inspector General

Subject: Follow-up Review of SSA's Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121 (A-01-01-11029)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration implemented the recommendations in our prior audit report entitled "Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121."

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in blue ink, appearing to read "James G. Huse, Jr.", written in a cursive style.

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FOLLOW-UP REVIEW OF SSA'S
IMPLEMENTATION OF DRUG
ADDICTION AND ALCOHOLISM
PROVISIONS OF PUBLIC LAW 104-121**

December 2001

A-01-01-11029

AUDIT REPORT



Mission

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

Authority

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

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

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

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

Vision

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

Executive Summary

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) implemented the recommendations in our prior audit report entitled “Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121.”

BACKGROUND

In May 2000, we issued an audit report which concluded that SSA did not identify and terminate benefits to all beneficiaries for whom drug addiction or alcoholism (DAA) was a contributing factor material to the finding of disability in accordance with Public Law (P.L.) 104-121. Our review of diagnosis (DIG) codes and DAA indicators on the Master Beneficiary Record and Supplemental Security Record identified 19,946 cases with a DAA indicator and/or a DIG code which represented alcoholism or drug addiction. Based upon the results of our statistical sample, we estimated that of the 19,946 cases:

- 1) 3,190 individuals were incorrectly paid \$38.74 million in benefits from the date P.L. 104-121 took effect; and
- 2) 14,420 individuals did not have the correct DIG codes and/or DAA indicators on their records to show that DAA is not material to the finding of disability.

In our prior audit report, we recommended that SSA:

- Review the 19,946 cases we identified to ensure that the coding was corrected and the benefits were terminated where appropriate.
- Modify its systems so that primary DIG codes for DAA will no longer be accepted.

SSA agreed with these recommendations.

RESULTS OF REVIEW

Generally, SSA implemented the recommendations from our prior audit. SSA reviewed the cases that we suggested be reviewed and it modified its systems. Of the 100 cases in our random sample, SSA did not complete its required DAA review in only one case. Also, we found that in 14 cases where DAA reviews were completed, SSA did not update its systems to identify the individuals’ new disabling condition. Projecting the results of these 14 sample cases to the population of 19,946, we estimate that 2,792 individuals do not have the correct DIG codes on their records to show that DAA

is not material to the finding of disability. Additionally, our audit showed that systems changes made by SSA to preclude the use of primary DIG codes for DAA worked in most cases.

CONCLUSION AND RECOMMENDATION

Overall, SSA effectively implemented our prior recommendations to ensure disability benefits are not paid based upon DAA. However, SSA still needs to improve its efforts for ensuring that records are updated to show the beneficiaries' current disabling condition. Therefore, we recommend that, when conducting the next scheduled continuing disability review, SSA ensure DIG codes are updated to show the proper diagnosis.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendation. (See Appendix B for SSA's comments.)

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Acronyms

CDR	Continuing Disability Review
CY	Calendar Year
DAA	Drug Addiction or Alcoholism
DI	Disability Insurance
DIG	Diagnosis Code
MBR	Master Beneficiary Record
NDDSS	National Disability Determination Service System
P.L.	Public Law
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

Introduction

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) implemented the recommendations in our prior audit report entitled “Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121.”

BACKGROUND

The Social Security Act was amended on March 29, 1996 as part of the Contract with America Advancement Act of 1996 (Public Law 104-121) to prohibit the payment of Disability Insurance (DI) benefits and Supplemental Security Income (SSI) payments if Drug Addiction or Alcoholism (DAA) is material to the finding of disability. This law required SSA to terminate DI benefits and SSI payments for individuals whose disabilities were based on DAA. If beneficiaries timely appealed their terminations, this law required SSA to conduct medical redeterminations¹ by January 1, 1997.

In May 2000, we issued an audit report² which concluded that SSA did not identify and terminate benefits in accordance with Public Law (P.L.) 104-121 for all beneficiaries for whom DAA was a contributing factor material to the finding of disability. We estimated that 3,190 individuals were incorrectly paid \$38.74 million in benefits from the date P.L. 104-121 took effect through the date we reviewed the cases. Additionally, we estimated that 14,420 individuals did not have the correct diagnosis (DIG) codes and/or DAA indicators on their records to show that DAA is not material to the finding of disability. Incorrect coding could impact SSA’s ability to identify cases affected by new legislation, as well as to profile cases for continuing disability reviews (CDR).

In our prior audit report, we recommended that SSA:

- Review the 10,611 SSI cases that it asserted were either properly handled or miscoded and apply the provisions of P.L. 104-121 where appropriate.
- Ensure that benefits are terminated if DAA is material to the finding of disability when conducting the next scheduled CDR for the 6,066 DI cases in our extract.
- Ensure that the 3,269 cases it agreed to review are completed, the coding corrected, and the benefits terminated where appropriate.

¹ A medical redetermination is when SSA reviews the evidence associated with the case to determine whether the individual is disabled.

² SSA/Office of the Inspector General, “Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121,” May 2000 (A-01-98-61014)

- Modify its systems so that primary DIG codes of 3030 and 3040 will no longer be accepted.³

In response to our prior report, SSA agreed with our recommendations and stated that corrective actions had been initiated and/or completed. In their comments to our report (dated April 17, 2000) and also in testimony to Congress on September 12, 2000, SSA stated that it (1) had already begun the reviews on all 19,946 cases, and (2) completed modifying its systems in August 1999 to preclude primary DIG codes of 3030 and 3040 in all cases except denials.

SCOPE AND METHODOLOGY

To accomplish our objective, we:

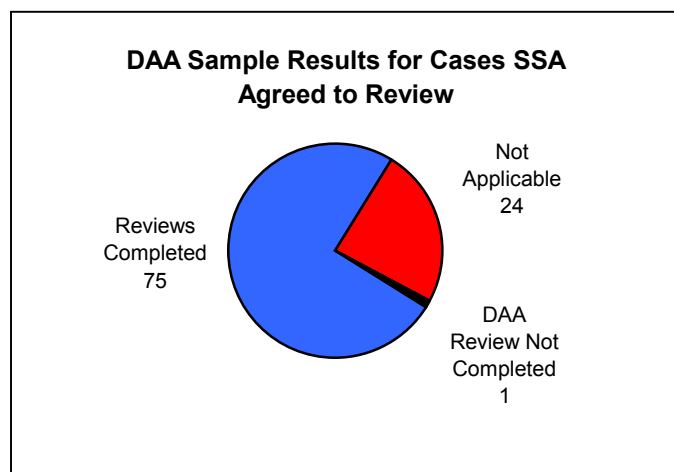
- Reviewed our prior DAA audit report entitled, “Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121” which was issued in final in May 2000.
- Selected a random sample of 100 cases from the 19,946 DAA individuals identified in our prior audit.
- Determined whether a review had been completed, the coding corrected and benefits terminated where appropriate for our sample cases by using the Master Beneficiary Record (MBR), Supplemental Security Record (SSR), National Disability Determination Service System (NDDSS), CDR Control File, and/or case folder.
- Contacted SSA staff to gain an understanding of systems modifications implemented to preclude primary DIG codes of 3030 and 3040 in all cases except denials.
- Obtained an extract from the NDDSS of all individuals whose application for disability benefits was approved in Calendar Year (CY) 2000 with a DIG code of 3030, 3040 or 3050 and determined whether these or other DIG codes were on the beneficiaries’ MBRs or SSRs.

We conducted our follow-up audit between April and July 2001 in Boston, Massachusetts. The entities audited were SSA’s Office of Disability and Office of Systems Requirements. We conducted our audit in accordance with generally accepted government auditing standards.

³ DIG codes 3030 and 3040 are for Alcohol Substance Addiction Disorders and Drug Substance Addiction Disorders, respectively. When implementing our recommendation, SSA implemented system edits to preclude the use of DIG codes 3030, 3040 and also 3050 – Polysubstance Addiction Disorders.

Results of Review

Generally, SSA implemented the recommendations from our prior audit. SSA reviewed the cases that we suggested it review and modified its systems. Our review of 100 cases found:



- a DAA review was not completed in 1 case.
- DAA reviews were ongoing or were not needed in 24 cases.
- DAA reviews were completed in 75 cases. However, in 14 of these cases, the MBR/SSR was not updated to reflect the beneficiaries' current disabling condition. Projecting the results of these 14 sample cases to the population of 19,946, we estimate

that 2,792 individuals do not have the correct DIG codes on their records to show that DAA is not material to the finding of disability.

Additionally, our audit showed that systems changes made by SSA to preclude the use of primary DIG codes of 3030 and 3040 worked in most DAA cases.

DAA REVIEWS NOT COMPLETED

We identified one case where a required DAA review was not completed. This beneficiary started receiving DI benefits in March of 1994 with a primary DIG code of 3030 (Alcoholism) and no review has subsequently been completed to determine whether DAA is material to this beneficiary's disability. SSA personnel stated they had no explanation other than "Human Error" for why this review had not been completed. SSA personnel informed us they "will have to secure the folder for review."

DAA REVIEWS ONGOING OR NOT REQUIRED

Our audit identified 24 cases that either did not require a DAA review at this time or currently had a DAA review in process by SSA. Specifically, we found that:

- In 17 cases, the benefits had been terminated.⁴
- In 3 cases, the beneficiaries met the requirements for retirement benefits.

⁴ In 10 cases, benefits were terminated because of the death of the beneficiaries; and in 7 cases, benefits were terminated for other reasons.

- In 3 cases, SSA was in the process of conducting DAA reviews.
- In 1 case, a DAA alert had not been worked since the beneficiary was in a non-pay status due to excess income since the alert was issued.

DAA REVIEWS COMPLETED

We found that SSA completed DAA reviews for 75 of our 100 sample cases. Specifically, we found documentation in either the beneficiaries' case folder or one of SSA's electronic systems showing that SSA staff had reviewed the individuals' disabling condition to ascertain whether DAA was a contributing factor to its finding of disability. For example, one individual had a DIG code of 3030 (Alcohol Substance Addiction Disorder) on her SSR at the time of our original audit. In November 2000, SSA completed a CDR and determined that this individual's benefits should continue based upon a disability of "Depressive Disorder." The DIG code on this individual's SSR has been updated to reflect her new disabling condition.

For our 75 sample cases that were reviewed by SSA, we found that:

- in 71 cases, SSA determined that DAA was not material and benefits continued under a new disability; and
- in 4 cases, SSA determined that DAA was material and the beneficiaries have appealed their termination decisions. These 4 cases are currently being reviewed by SSA's Office of Hearings and Appeals.

Incorrect DAA Coding

For each of the 100 sample cases, in addition to determining whether a review was completed, we determined whether the MBR or SSR had been properly updated to reflect the individuals' current disabling condition. In 14 cases where reviews were completed, SSA did not update the DIG code on the MBR or SSR⁵ to identify the individuals' new disabling condition. In one case, a medical review was completed on January 20, 2000. In this review, it was determined that disability continued based upon Schizophrenic, Paranoid and Other Functional Psychotic Disorders which has a DIG code of 2950. However, the new DIG code from this review was not posted to the MBR and it is still 3040 (Drug Substance Addiction Disorder).

⁵ In 11 cases the MBR had not been updated, and in 3 cases, the SSR had not been updated.

SYSTEMS CHANGES TO PRECLUDE PRIMARY DIG CODES 3030 AND 3040

In their comments to our prior audit report, SSA stated that in August 1999, staff completed modifications to SSA's systems to preclude primary DIG codes of 3030 and 3040 in all cases except denials. To test SSA's systems changes, from a CY 2000 NDDSS file containing about 1.16 million initial decisions in which benefits were approved, we extracted all decisions with primary DIG codes of 3030, 3040 or 3050. This extract identified 17 beneficiaries⁶ who had received benefit payments.

In 14 of the 17 cases, the DIG codes on the MBR or SSR were not 3030, 3040 or 3050 even though the NDDSS showed these were the DIG codes initially input. Thus it appears SSA's systems edits worked for these 14 cases. However, in 3 of the 17 cases the DIG codes on the MBR or SSR were 3040. SSA staff reviewed these 3 cases and determined current DAA edits allowed these cases to go into current pay status with DIG codes of 3040. As a result of this review, SSA staff wrote new systems edits to strengthen those already in place. These new edits are being reviewed by SSA systems staff, and, when implemented, should prevent individuals from receiving benefit payments with DIG codes of 3030, 3040 or 3050 in the future.

⁶ In 9 cases the DIG code was 3040, in 6 cases the DIG code was 3030, and in 2 cases the DIG code was 3050.

Conclusion and Recommendation

Overall, SSA effectively implemented our prior recommendations to ensure disability benefits are not paid based upon DAA. However, SSA still needs to improve its efforts for ensuring that records are updated to show the beneficiaries' current disabling condition. Therefore, we recommend that, when conducting the next scheduled CDR, SSA ensure DIG codes are updated to show the proper diagnosis.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendation. Specifically, SSA agreed that the MBR and SSR should be updated to show the beneficiaries' current disabling condition. SSA's Office of Disability will discuss the ways in which this can be accomplished in November 2001. (See Appendix B for SSA's comments.)

Appendices

Sampling Methodology and Results

In order to perform our prior Drug Addiction or Alcoholism (DAA) audit¹, we obtained from the Social Security Administration (SSA) two data extracts—one from the Supplemental Security Record (SSR) and the other from the Master Beneficiary Record (MBR)—of all disabled individuals receiving disability payments with a diagnosis (DIG) code equal to 3030 or 3040 and/or a DAA indicator equal to A, D or B. These extracts identified 19,946 cases with a DIG code representing alcoholism or drug addiction or a DAA indicator showing that DAA was material. In our prior audit report, we recommended and SSA agreed to review the 19,946 cases which we identified. In this audit, in order to determine whether DAA reviews were completed, we randomly sampled and reviewed 100 of the 19,946 cases identified in our prior audit.

SAMPLE RESULTS	
Population size	19,946
Sample size	100
Attribute Projection – MBR/SSR Not Updated	
Sampled cases where the MBR or SSR was not updated to show the individuals' new disabling condition	14
Projection of beneficiaries whose records were not updated	2,792
Projection lower limit	1,730
Projection upper limit	4,189

Note: All projections are at the 90-percent confidence level.

¹ "Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121" (A-01-98-61014) issued in May 2000.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: November 26, 2001 **Refer To:** S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry Dye /s/
Chief of Staff

Subject: The Office of the Inspector General Draft Report, "Follow-up Review of SSA's Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121" (A-01-01-11029)—
INFORMATION

Our comments on the subject report are attached. Staff questions may be referred to Odessa J. Woods on extension 50378.

Attachment:
SSA Comments

**COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE
OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "FOLLOW-UP
REVIEW OF SSA'S IMPLEMENTATION OF DRUG ADDICTION AND
ALCOHOLISM PROVISIONS OF PUBLIC LAW 104-121" (A-01-01-11029)**

Thank you for the opportunity to comment on the draft report.

Recommendation

When conducting the next scheduled continuing disability review, SSA should ensure diagnosis codes are updated to show the proper diagnosis.

SSA Comment

We agree that the Master Beneficiary Record/Supplemental Security Record should be updated to show the beneficiaries' current disabling condition. SSA's Office of Disability will arrange a meeting of involved components in November 2001 to discuss the ways in which this can be accomplished, including the recommendation made by the OIG.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Rona Rustigian, Director, Disability Program Audit Division, (617) 565-1819

Judith Oliveira, Acting Deputy Director, (617) 565-1765

Staff Acknowledgments

In addition to those named above:

David Mazzola, Auditor

Katie Hallock, Auditor

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-01-01-11029.

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President, Federal Managers Association	1
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Total	97

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

Office of Executive Operations

OEO supports the OIG by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.