

Office of the Inspector General

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Kenneth S. Apfel  
Commissioner of Social Security

Acting Inspector General

Payment Accuracy Task Force: SSI Earned Income

The attached final report presents the results of the most recent Payment Accuracy Task Force initiative. Historically, earned income issues have accounted for the largest dollar amount of payment errors in the Supplemental Security Income (SSI) program. Therefore, the Payment Accuracy Steering Committee chartered an issue team to study this subject. The objective of the SSI Earned Income Issue Team was to identify previous SSI earned income-related initiatives, define problems and weaknesses in the process, formulate a cost-benefit analysis, and propose recommendations to improve payment accuracy.

The SSI Earned Income Issue Team developed 12 recommendations to address earned income errors. These recommendations address errors that are caused by nonreporting and field offices. Many of the recommendations complement ideas that will be contained in the Social Security Administration's (SSA) SSI Report. As a result, we believe you will find this report particularly useful, and you may want to consider this effort as one more initiative SSA is taking to remove SSI from the General Accounting Office's High-Risk list.

Last year, at an Executive Staff Meeting, we briefed participants on the results of our first initiative. We would be happy to brief them again on this initiative if you believe it would be helpful. If you wish to discuss the final report or arrange for a briefing, please call me or have your staff contact Pamela J. Gardiner, Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

***PAYMENT ACCURACY  
TASK FORCE***



**SSI EARNED INCOME  
ISSUE TEAM**

**September 1998**

**A-13-98-51010**

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# **INTRODUCTION**

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## ***The Payment Accuracy Initiative***

The Payment Accuracy Task Force was created through the cooperative efforts of the Social Security Administration (SSA) and SSA's Office of the Inspector General (OIG) to improve the accuracy of payments for SSA's Old-Age, Survivors and Disability Insurance and Supplemental Security Income (SSI) programs. To guide and support this initiative, an Associate Commissioner-level Steering Committee was formed. A listing of the Steering Committee members is contained in Appendix A.

The Steering Committee used the annual Index of Dollar Accuracy (IDA) reports produced by the Office of Quality Assurance and Performance Assessment (OQA) to identify and prioritize major categories of payment errors. These reports provide the Agency with a national measure of accuracy for the SSI program on initial awards and field office (FO) processed redeterminations. Historically, earned income issues have accounted for the largest dollar amount of payment errors in the SSI program. Therefore, the Steering Committee selected SSI earned income payment errors as the first SSI issue to be addressed and established an issue team.

The SSI Earned Income Issue Team, chartered by the Steering Committee, was comprised of six employees from various SSA components, as shown in Appendix B. The team was directed to: identify previous SSI earned income-related initiatives, define problems and weaknesses in the process, formulate a cost-benefit analysis, and propose recommendations to improve payment accuracy.

## ***Issue Team's Mission Statement***

The team developed the following mission statement to incorporate the Steering Committee directives and define the team's purpose.

***The SSI Earned Income Issue Team Has Been Chartered by the Payment Accuracy Steering Committee for a Period of 119 Days. As Part of this Effort, the Team Will Review Prior and Current Studies/Proposals and SSI Earned Income Error Cases to Identify Specific Error Causes. Recommendations to Address These Errors Will Be Developed and Presented in a Written Report to the Steering Committee.***

## ***Scope and Methodology***

The scope of our initiative focused on SSI earned income errors that occurred during FO processing of initial claims and posteligibility actions.

In order to fully understand the nature of SSI earned income errors and to develop recommendations to address these errors, we:

- Reviewed prior OIG, SSA, and General Accounting Office reports and recommendations related to SSI earned income.
- Analyzed OQA's IDA and Stewardship reports for Fiscal Years (FY) 1992 through 1996 and other OQA recommendations related to SSI earned income.
- Analyzed available OQA data<sup>1</sup> for SSI earned income errors reported in the FY 1996 IDA and Stewardship reports.
- Identified potential problems contributing to earned income errors and developed recommendations for changes to existing systems, policies, and procedures.
- Interviewed more than 90 claims representatives (CRs), office supervisors, and FO managers in the Philadelphia and Atlanta regions to obtain feedback on the causes of SSI earned income payment errors. We also asked FO personnel to provide input on the Team's recommendations or suggest other ideas for reducing earned income and workload processing errors.

We discussed the identified problems and our proposed recommendations with appropriate systems and policy staff to evaluate the merit and feasibility of the recommendations.

We have provided the projected error dollars for each major category, where appropriate, in the body of our report. Because IDA cases contained several different earned income errors, we were unable to provide precise dollar projections for our recommendations, particularly for errors caused by FOs. It is also important to understand that the dollar projections contained in our report are based on the FY 1996 IDA study. However, we also reviewed Stewardship data and confirmed that similar errors exist in both studies. Our recommendations, therefore, can impact both IDA and Stewardship accuracy rates.

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<sup>1</sup> We reviewed 404 IDA quality review cases, in addition to 289 Stewardship cases, that contained earned income errors in FY 1996, which was the most current OQA data available. The FY 1997 IDA and Stewardship reviews were not yet completed as of the date of this report.

# **EARNED INCOME OVERVIEW**

The SSI program provides benefits to low-income aged, blind, and disabled individuals. Because the program is based on need, SSA determines whether individuals are eligible and, once eligible, the amount of benefits an individual will receive. Earned income is one major factor used to determine whether individuals are eligible. If eligible, the amount of earned income is considered when determining the amount of the monthly benefit. SSI clients are required to “self-report” to SSA any income that they or a deemor<sup>2</sup> receives when they apply for SSI. To ensure that SSA is aware of fluctuations or changes in income, clients are also required to self-report any changes in their monthly income by the 10<sup>th</sup> day of the month following the month in which the change occurred.

**Causes of Earned Income Errors.** The “self-reporting” aspect of the SSI program is the primary cause of SSI overpayments and underpayments. The following provides an overview of the causes of earned income errors for the 1996 IDA review.

| <b>Cause Category</b>      | <b>% of Total Error Dollars</b> | <b>Total Dollars</b> |
|----------------------------|---------------------------------|----------------------|
| Nonreporting               | 65.68%                          | \$ 162.04 M          |
| FO                         | 25.61%                          | 63.17 M              |
| Administrative Tolerance   | 8.71%                           | 21.50 M              |
| <b>Total Error Dollars</b> |                                 | <b>\$ 246.71 M</b>   |

The total error dollars also represent overpayments and underpayments as shown below:

| <b>Cause Category</b>      | <b>Total Error Dollars</b> | <b>Overpayment Dollars</b> | <b>Underpayment Dollars</b> |
|----------------------------|----------------------------|----------------------------|-----------------------------|
| Nonreporting               | \$162.04 M*                | \$106.42 M                 | \$55.63 M                   |
| FO                         | 63.17 M                    | 31.42 M                    | 31.75 M                     |
| Administrative Tolerance   | 21.50 M                    | 11.16 M                    | 10.34 M                     |
| <b>Total Error Dollars</b> | <b>\$246.71 M</b>          | <b>\$149.00 M</b>          | <b>\$97.71 M*</b>           |

\*Totals vary due to rounding

In order to understand how the self-reporting aspect of the program contributes to the

<sup>2</sup> Deemors are an individual’s parent, ineligible spouse, or sponsors (i.e., individuals who agree to support an alien as a condition of the alien’s admission to the United States).

large number of inaccurate payments, it is important to understand the earned income development process and how monthly SSI benefits are currently calculated.

**Earned Income Claims and Development Process**. During an initial claim for benefits, CRs ask applicants about their work or self-employment activity. CRs also inquire about work or self-employment activity of the applicants' deemors. If earned income is present for the applicant or deemors, the CR is required to determine the amount of wages and self-employment income by obtaining the following evidence: 1) paystubs, 2) employer reports, 3) tax returns, and/or 4) signed statements from the claimant.

This information is used by the CR to enter earned income estimates for 14 future months on the Supplemental Security Record (SSR) and, where applicable, to enter actual earned income received in prior months. All wage and self-employment estimates on the SSR must be verified by the CR using acceptable evidence, such as paystubs, employer reports, or tax returns. Once evidence is obtained and "actual" earned income amounts are entered on the SSR, the earned income information is considered "verified." Wages can be verified monthly, while self-employment can only be verified on an annual basis using tax return information.

Each month, SSA calculates benefits based on the earned income data on the SSR. If the estimates and verified income amounts are accurate, a correct benefit payment will result.<sup>3</sup> However, if these amounts are incorrect, an underpayment or overpayment will result.

During the posteligibility process, earned income is verified and/or estimates are revised when CRs conduct (1) reviews of income or (2) redeterminations.

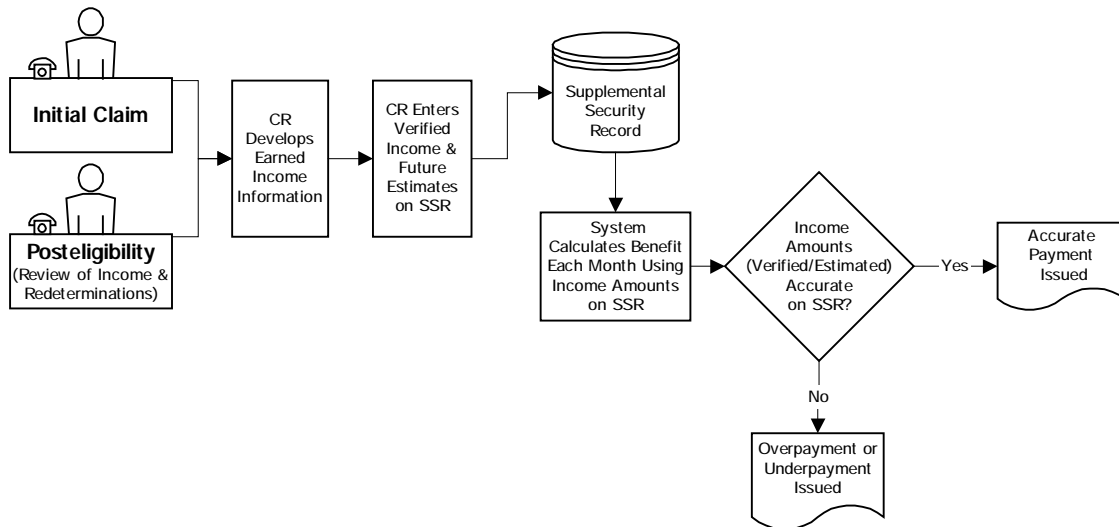
- Reviews of Income are FO actions initiated as a result of a report of an earned income change or a diary or alert resulting from a SSA computer data match. Reviews of income are also initiated when SSA receives paystubs or other evidence to verify actual earned income amounts.
- Redeterminations<sup>4</sup> are nonmedical eligibility reviews<sup>4</sup> performed on selected SSI cases each year that evaluate all aspects of eligibility, including earned income. When developing earned income, SSI recipients are asked to provide evidence to verify earned income estimates previously provided and entered on the SSR. They are also asked about other earned income that may not be reflected on the individual's SSR.

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<sup>3</sup> For the purposes of this report, we are assuming that all other eligibility factors on the record are known and accurate.

<sup>4</sup> Redeterminations can be conducted in-person, by telephone, or by mail. Both CRs in local FOs and staff at the Wilkes-Barre Data Operations Center participate in the redetermination process.

The following flowchart provides an overview of the earned income process:



To calculate monthly SSI benefits, SSA uses a method known as retrospective monthly accounting (RMA). RMA allows SSA to use reported earned income amounts from the second month before the month for which payment is being computed (i.e., the August 1998 payment is calculated based on June 1998 income).<sup>5</sup> The key factor is that the earned income amount must be “known.”

Unless the individual or their representative reports wage information each month to SSA, estimates that are on the SSR will continue to be used to calculate the monthly benefit. When an estimate is used, no matter how accurate the attempted projection may be, an overpayment or underpayment will almost invariably result.

Considering these aspects of the process, the team focused on ways to improve the existing process and explored other methods to effectively reduce the overall dollar amount of payment errors. Early in our review, we recognized that bringing the estimate more closely in line with what the recipient or deemor actually earns will effectively reduce the overall amount of dollar errors.

<sup>5</sup> The exception to the second month rule is that the first two benefit payments issued to a claimant after becoming eligible are based on the earned income received in the first month of eligibility.



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# ***FINDINGS AND RECOMMENDATIONS***

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The team developed 12 recommendations to address earned income errors. These recommendations address errors that are caused by: 1) Nonreporting and 2) FOs. The intent of our recommendations is both to improve SSI payment accuracy by closing the gap between estimates and actual income and to reduce the total dollar impact of SSI overpayments and underpayments. These recommendations also address ways to improve CRs' ability to process claims more accurately and efficiently.

## **ERRORS CAUSED BY NONREPORTING**

Nonreporting has been identified as the major cause of earned income errors in the annual IDA report since 1990. Of the \$246.71 million in errors in FY 1996, \$162.04 million, or about 66 percent, were attributed to nonreporting. These errors represented \$106.42 million in overpayments and \$55.63 million in underpayments.

We developed the following seven recommendations to address nonreporting. The first four recommendations suggest ways SSA can: 1) modify its policies and related processes, 2) detect unreported earned income earlier, and 3) encourage individuals to make more timely reports of earned income. The remaining three recommendations suggest improvements to information provided to the public that explain the program's reporting requirements.

### ***◆ Recommendation 1: Perform a Study to Determine if the State Wage Match Could Be Expanded to Confirm Earned Income Information***

SSA currently matches State wage information with earned income amounts on the SSR to identify unreported earned income that affects benefits. This match is performed twice a year and matches wage data for 44 States. The process currently generates an alert to a FO if State wages exceed SSR totals by a certain tolerance.<sup>6</sup>

In October 1998, SSA will begin a quarterly wage match using State data from the newly established Office of Child Support Enforcement (OCSE) data base. The major benefit of using this data base is that it will contain quarterly wage data from all States and will provide more current information than the existing State wage match. SSA plans to use OCSE data to determine whether OCSE's wages exceed wages on the

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<sup>6</sup> Tolerances are specified amounts (i.e., dollar amounts) established by SSA policy for the purposes of processing certain types of workloads.

SSR by more than the \$250 tolerance. When differences are detected, SSA will continue to issue alerts to FOs for development.

During our FO visits, we discussed SSA's plans for using OCSE data with CRs. Many believe that this data will improve SSA's ability to identify unreported income and incorrect earned income amounts on the SSR. However, concerns were raised about the increased workload that may result from quarterly matches.

Currently, workloads such as claims processing, in-office interviews, and completing redeterminations are considered priority workloads by FO managers. Little time is left for CRs to pursue the lengthy development of wage alerts. We asked why these alerts consume so much of their time. Most responded that it takes a considerable amount of time to locate and contact recipients, especially when SSA is unaware that individuals are working. CRs also said individuals do not always cooperate, and employers often will not provide SSA with needed wage information. Without full cooperation, CRs cannot make timely revisions to the SSR to adjust the monthly benefit.

In light of these concerns and in an effort to address nonreporting, we believe that this new State wage match should be expanded to:

- Encourage self-reporting by notifying individuals that wages on the OCSE data base differ from those in SSA's records;
- Revise wage estimates upwards, for individuals who fail to respond to notices of excess wages, to minimize the dollar amount of overpayments; and/or
- Verify wage amounts, within certain tolerances, to eliminate unnecessary work for FOs.

To illustrate how the State wage match process could be modified to address situations where SSA detects wages in excess of that on the SSR, we offer the following example:

*If the wage match detects wages in excess of the current \$250 tolerance, then the Agency would do the following:*

- a) *Issue an automated notice to the SSI recipient that provides an explanation of: 1) any wage amounts in question and the source of the information, 2) the need for the individual to provide SSA with paystubs to verify the information within 10 days so that the proper benefit will be paid, 3) the due process rights of the individual to dispute the information, also within 10 days, and 4) specific actions that SSA will take if the individual does not respond.*

- b) *If the individual responds to the notice, CRs should follow current policy for verifying and entering wages on the SSR and, if appropriate, adjust wage estimates.*
- c) *If the individual does not respond to the notice, then the system should divide the OCSE quarterly wage amount by 3 and revise wage estimates on the SSR to adjust the monthly benefit and minimize SSI overpayment dollars.*

A process similar to this example is already being used to record income received through data matches with other Federal agencies, such as the Office of Personnel Management and the Veterans Administration. This type of process initiates contact with SSI recipients to encourage self-reporting of income information and shifts some of the burden from FOs.

Also, if individuals do not respond to notices, this suggested process would enable SSA to revise wage estimates to reduce overpayments. Our analysis of IDA cases found that even when SSA detected excess income, a considerable amount of time passed before the case could actually be reviewed, resulting in large overpayments. Using the suggested process would minimize SSI overpayments and make the redetermination process easier because records will be more up-to-date for individuals who report.

SSA could also use the State wage match to notify individuals when wages are less than wages shown on the SSR. This would help SSA minimize the dollar amount of underpayments issued. It is likely that if SSA issued notices to individuals that they might be underpaid, they would respond immediately to ensure that their monthly benefit was accurate. Additionally, SSA should consider eliminating some verification requirements, which would also result in reducing FO workloads. For example, if the State wages equal or are within a certain tolerance of those shown on the SSR, the wages could be considered to be “verified.” This would reduce the need for CRs to verify wage information.

We recommend that SSA perform a study to determine if the State wage match can be expanded to confirm earned income information in order to effectively reduce overpayments and underpayments. Because OCSE data is based on quarterly wage amounts and cannot be used to determine “monthly” eligibility under the current system, we are not proposing that the State wage match be expanded immediately. SSA should evaluate its payment and notice policies and procedures to determine how this wage match could be used to encourage self-reporting. A pilot could then be conducted to evaluate proposed procedures and tolerances once a study has been completed.

◆ ***Recommendation 2: Reduce the Maximum Redetermination Period to 2 Years***

Redeterminations, or nonmedical eligibility reviews, are conducted on selected cases each year to ensure that SSI recipients are eligible for and are receiving the correct SSI payments. SSA uses a profiling system to score each case based on the likelihood of that case containing a payment error. Cases that have a high score are sent to FOs for personal contact redeterminations. Lower-scored redeterminations are generally conducted by the Wilkes-Barre Data Operations Center (DOC) using a mail-out form, with certain cases being referred to FOs for further development. Under this scoring system, certain cases may be selected every year, while other cases can go as long as 6 years without a redetermination.

In 1994, the Commissioner of Social Security increased the maximum redetermination period from 3 years to 6 years in an attempt to reduce FO workloads. However, most CRs we interviewed felt that this change did not produce the desired results. They believe that this change has probably resulted in more overpayments and underpayments being issued, because longer periods of time elapse before certain cases are redetermined. The general belief is that less frequent contact with recipients, combined with the high incidence of nonreporting by SSI clients, actually increases payment errors.

One of SSA's primary sources for obtaining current information is through the redetermination process. CRs told us that a 6-year lapse between redeterminations is too long to expect recipients to maintain records and provide accurate information. CRs also pointed out that a 6-year redetermination period conflicts with administrative finality<sup>7</sup> rules. Administrative finality rules prevent CRs from adjusting payments or collecting overpayments as a result of events that occurred beyond the prior 2-year period.<sup>8</sup> When considering that CRs can only collect overpayments that occurred in the last 2 years, the value of a 6-year redetermination period becomes even more questionable.

We recommend that the maximum redetermination period be reduced to 2 years, not only to comply with administrative finality rules, but to increase SSA's ability to detect unreported earned income and verify estimates more timely. This would also increase SSA's ability to collect overpayments that otherwise would be uncollectable or "written-off" because of administrative finality.

This change would initially increase the number of mail-out redeterminations processed by the Wilkes-Barre DOC, and ultimately, the number of redeterminations referred to

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<sup>7</sup> Administrative finality specifies time limits for correcting information on the SSR.

<sup>8</sup> An exception to this rule is if fraud or similar fault is involved in causing the error.

the FOs.<sup>9</sup> However, case information would be more current, save CRs processing time on future redeterminations, and help the Agency reduce the magnitude of overpayments and underpayments.

◆ ***Recommendation 3: Evaluate the Use and Enforcement of Penalties and Determine Whether the Penalty Assessment Process Should Be Simplified***

The Social Security Act authorizes SSA to assess penalties when SSI recipients fail to make timely reports of changes which affect a person's eligibility or payment amount, except in situations where the individual was without fault or had good cause<sup>10</sup> for failing to report. The time frame for reporting changes is within 10 calendar days after the month in which the change occurs. SSA may assess a \$25 penalty for the first failure, a \$50 penalty for the second failure, and a \$100 penalty for each subsequent failure to report.

We interviewed CRs to determine whether they had ever assessed penalties for failures to report changes and whether they believed that penalties should be used to encourage individuals to report. We found that 19 out of 88 CRs had assessed a penalty in their career, but only 1 had assessed a penalty in the last 10 years. In addition, almost every CR stated that while it is the Agency's policy to assess penalties, it is not encouraged because it is not the Agency's philosophy.

CRs also indicated that in order to assess a penalty they must complete an extensive development process which includes preparing manual notices and conducting interviews with recipients. The interviews are required so CRs can determine whether recipients were without fault or had good cause for not reporting. Recipients were often without fault because their representative payees were responsible for reporting; however, penalties cannot be assessed against representative payees for failure to report. The penalty assessment process is costly, in time and effort, for CRs to perform and ultimately takes time away from processing claims, redeterminations, and other priority workloads.

We also asked CRs for their views on assessing penalties to gain compliance from SSI recipients who repeatedly fail to report income changes. When asked whether penalties "should" be used, approximately 53 percent said yes. One CR stated that the "Agency has no teeth" and many recipients know this. Some recipients refuse to comply and provide necessary information because they know that no adverse action will result from their noncompliance. Instead, CRs will spend time trying to obtain

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<sup>9</sup> OQA is currently performing a study of the DOC redetermination process. The results of this study may provide additional insight into the effectiveness of the redetermination process and time frames.

<sup>10</sup> Good cause may be found to exist if the failure to report resulted from unfavorable circumstances or the person's confusion as to the law, or misleading action of SSA.

needed information from third parties—information that is readily available to the recipient. This adds to FO workloads and allows erroneous payments to continue until the needed information can be obtained and annotated to SSA's records.

Whether penalties should be used to encourage reporting becomes more a question of philosophy. Because SSI is a needs-based program, assessing penalties can be viewed as defeating the purpose of the program. On the other hand, there is no doubt that cases do exist where recipients are “chronic abusers” of the system and repeatedly and intentionally fail to report. Encouraging the CR to use the penalty provision—even just once—might have the desired effect of “getting the message across” to recipients that they are responsible for reporting changes in a timely manner to SSA.

We recommend that management reassess the Agency's reluctance to impose penalties and determine whether SSA should encourage the use of penalties to enforce reporting requirements, particularly for chronic abusers. The Agency should also determine how the penalty assessment process could be simplified and made less time consuming for CRs.

◆ ***Recommendation 4: Include Procedures in the Teleservice Center Operating Guide for Recording SSI Work Reports for Aged Individuals and Deemors***

SSI recipients and representative payees are encouraged to use the 800 number to report earned income changes. When an individual contacts SSA's teleservice centers (TSC), teleservice representatives (TSR) record the individual's information and provide it to the appropriate FO for processing.

FO personnel told us that leads they receive from the TSCs usually do not contain enough information to actually make adjustments to an individual's record and monthly benefit payment. In order to adjust an individual's payment, the CR needs about 16 items of specific information concerning the earned income change being reported. For example, if individuals report that they started to work, CRs need to obtain such information as the employer's name, start date, hourly wage, weekly hours, and date paid. When insufficient information is obtained by the TSR, CRs must contact the individual again to obtain complete data on the information being reported. CRs also said that it is often difficult to reach recipients who are working. As a result, erroneous payments continue until the CR is able to reach the individual and obtain the necessary information.

The TSC Operating Guide provides instructions for TSRs on how to handle different types of calls to the 800 number. We reviewed the guide and found that the current 800 number procedures contain detailed instructions on taking work reports for disabled recipients only. The guide also instructs TSRs to send a message to the local FO when an aged recipient reports work, but it does not specify what information to

*include* in that message. There are no instructions in the guide that address how to handle work reports for individuals who are deemors on SSI recipients' records. If TSRs were instructed to obtain better and more complete information for all individuals who report earned income information to the 800 number, CRs could make timely adjustments to benefits, prevent erroneous payments, and avoid additional contacts with individuals.

We recommend that the TSC Operating Guide be revised to include detailed instructions for recording work report information for aged SSI recipients and deemors. These procedures should provide TSRs with instructions to obtain all the necessary data at the time of the call to prevent CRs from having to contact individuals again for additional information. Any changes made to this guide should be incorporated into TSR training programs and TSC systems screens used to capture caller data.

◆ ***Recommendation 5: Issue a SSI Spotlight<sup>11</sup> on Wage and Self-Employment Reporting Requirements***

To ensure that SSI recipients and representative payees are aware of and understand reporting requirements, SSA needs to provide clear and concise reporting instructions. We reviewed reporting instructions contained in various SSA publications provided to the public. Generally, we found that reporting instructions were broad, scattered among various publications, and did not indicate the types of evidence that individuals need to provide to SSA. We believe that improved reporting instructions will result in increased compliance with reporting requirements.

Currently, when individuals apply for benefits, they receive several SSI publications, including the claims receipt, that generally describe SSI reporting requirements. These publications instruct individuals to tell SSA if their income “changes or stops.”

CRs indicated that most recipients understand that if they stop or start working they need to report to SSA. However, sometimes it is not clear that this reporting requirement applies to individuals other than the recipient (i.e., deemors). Another difficulty is that individuals interpret the term “change” differently. The term “change” can be interpreted to mean a promotion, bonus, overtime, change in hourly rate, start of a second job, or even termination of employment. The understanding of “change” varies from individual to individual. Individuals' payments can go up or down, even if their income or their deemors' income varies by \$1 from the estimated amount on the record. If individuals clearly understand what earned income changes need to be reported, it may encourage them to report to SSA in a more timely manner. CRs indicated, and we concur, that there is currently no publication that clearly explains who should report, what should be reported, and what information should be

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<sup>11</sup> Spotlights are handouts that contain general program information to help SSA customers through the process of applying for and receiving SSI benefits. They provide clear and concise information to the public, and CRs often use these publications as tools for educating the public.

retained and provided to SSA when individuals or deemors have earned income. CRs also pointed out that paystubs, a vital document for wage verification, are not mentioned in SSA literature as an item that must be retained and provided to SSA.

We recommend that an SSI Spotlight be issued to provide recipients with specific reporting instructions. The recommended Spotlight should provide detailed instructions on who must report, what should be reported, and what information must be kept and provided to SSA. Figure 1 shows a suggested format for the Spotlight.

**Figure 1**

**SSI SPOTLIGHT ON REPORTING REQUIREMENTS  
FOR WAGES OR SELF-EMPLOYMENT**

**WHO MUST REPORT?**

- Recipient
- Representative Payee

**WHAT INFORMATION MUST BE REPORTED?**

- Monthly Gross Wages (including tips)
- Wage/Self-Employment Increase Or Decrease
- Changing Employers
- Starting Or Stopping Work
- Starting Or Stopping A Second or Third Job
- Work Expenses Related To Disability Or Blindness
- Royalties/Honoraria

**WHOSE INFORMATION MUST BE REPORTED?**

- Recipient
- Spouse Of Recipient
- Ineligible Child
- Parents Of Child Recipient
- Sponsor Of Alien
- Spouse Of Sponsor Of Alien

**WHAT RECORDS MUST BE KEPT AND REVIEWED BY SSA?**

- Every Paystub, Including Paystubs For Overtime, Vacations, Or Bonuses
- If Self-Employed, Completed Federal/State Income Tax Forms
- Receipts For Expenses Related To Disability Or Blindness

**THIS INFORMATION IS GENERAL. TO FIND OUT MORE CONTACT SOCIAL SECURITY**



◆ **Recommendation 6: Print Wage Estimates and Detailed Reporting Instructions on the Claims Receipt Form**

When individuals apply for SSI payments, they receive a claims receipt form that primarily serves as evidence that they applied for benefits. The receipt also provides information on reporting responsibilities and penalties that may be assessed if individuals do not report changes to SSA. The reporting responsibilities, as discussed on the receipt, are broad and cover a wide range of reportable events. The claims receipt does not inform the individual that earned income, the individual's or deemor's, is being used to calculate their benefit, nor does it instruct the individual on what types of evidence are required to verify earned income.

Since wages can fluctuate from week to week, we believe that providing applicants with the initial estimates used to calculate their monthly benefit could improve the recipient's ability to recognize that earned income is being used to calculate their monthly benefit.

Also informing individuals in writing, at the time of the initial claim, that they and/or their deemors are required to submit paystubs may help CRs obtain the necessary documents in the future. The majority of CRs we interviewed agreed that providing this information to the recipient should help to reinforce the reporting requirements and alert recipients to the importance of maintaining and submitting paystubs for verifying wages.

We recommend that the claims receipt be modified to provide individuals with the estimated wages that SSA used to calculate benefits. We also recommend additional language be added to the claims receipt to clearly indicate that SSA requires paystubs to verify the estimates. Figure 2 provides a suggested format.

Figure 2

|   |  |
|---|--|
| <b>The following monthly wages will be used in determining your future SSI payments.</b>  |  |
| <b><u>Your Estimated Wages</u></b>  | <b><u>Deemors' Estimated Wages</u></b> |
| 08/98 - \$200   | 08/98 - \$150                          |
| 09/98 - \$250   | 09/98 - \$200                          |
| 10/98 - \$200   | 10/98 - \$150                          |
| <b>You will be required to maintain and provide SSA with paystubs to verify these amounts and future months' wages. The amount of your benefit may change if your wages vary from the estimates shown above; therefore, it is critical that you maintain paystubs to verify your wages.</b> |  |

Depending on the circumstances of each case, the wage amounts shown will vary. The example shown in Figure 2 assumes that both the individual and the deemor have earned income.

◆ ***Recommendation 7: Develop Public Information to Address Concurrent Entitlement***

Many individuals receive SSI in addition to Social Security benefits. These individuals are considered to be concurrently entitled. The SSI and Social Security programs have different income rules, as well as different reporting requirements. The SSI program has more restrictive income reporting requirements since SSI eligibility is based on need and, therefore, requires monthly reporting to evaluate monthly eligibility and determine the benefit amount. However, the Social Security program generally considers income on an annual basis to determine whether the annual earnings limit has been exceeded. There are also different reporting requirements under each program for disabled individuals who work.

When we reviewed the IDA cases, we often found recipient statements in the quality review folders indicating individuals believed that the reporting requirements for SSI were the same as those for Social Security benefits. FO personnel also mentioned that recipients often confuse the reporting requirements of the two programs. For example, many aged SSI recipients believe they can earn up to the annual earnings test limit of \$14,500 before having to report to SSA. SSI recipients earning that amount would be ineligible for benefits and could incur large overpayments. Many CRs expressed the need for some literature to specifically address reporting requirements for concurrently entitled recipients who work.

We recommend that SSA develop public information materials (e.g., a brochure or pamphlet) which address reporting requirements for concurrently entitled recipients over age 65 who work and for concurrently entitled disabled or blind recipients who work. The information should explain how earned income affects benefits under both programs, what earned income limits exist, and reporting responsibilities for each of the programs. The literature should clearly identify what evidence individuals should maintain and provide to SSA. It should also stress the importance of timely reporting and the need for recipients to provide paystubs or other necessary evidence to SSA.

## **ERRORS CAUSED BY FOs**

Of the \$246.71 million in errors in FY 1996, \$63.17 million, or about 26 percent, were attributed to FO errors. Those errors represented \$31.42 million in overpayments and \$31.75 million in underpayments. The processing errors that occurred in FOs involved the processing of two types of income--wages and self-employment. Many errors were a result of human error, such as transposition of numbers, and would not be prevented

unless a review process was implemented in FOs. The causes of some errors we found were already being addressed by other Agency initiatives.

However, there were several FO errors occurring frequently that we believe have not been addressed. Those errors were related to the termination of wages from individuals' records without appropriate evidence, the identification of the proper amount of wages to apply to individuals, and the appropriate application of self-employment income. The following five recommendations are aimed at improving current policies, systems, and CR training to prevent wage and self-employment related errors.

◆ ***Recommendation 8: Revise POMS to Clarify What Is Considered to Be Acceptable Evidence for Terminating Wages***

When earned income estimates are placed on individuals' records, they remain as estimates and are used to calculate monthly benefits until they are verified or SSA is informed that employment has terminated. When individuals inform CRs that they are no longer employed, current procedures require CRs to verify that employment has actually terminated. POMS lists, in order of priority, the various acceptable forms of evidence that CRs can obtain to terminate wages (i.e., remove) from individuals' records. The acceptable forms of evidence are: 1) an oral statement from an employer, 2) a written statement from an employer, or 3) an individual's signed allegation of termination of wages. Because large overpayments can occur if income is incorrectly removed from a record, the individual's signed allegation is the least preferred type of evidence to verify that employment has terminated.

Our review of IDA case files found that there is some confusion over whether the appropriate type of evidence is being used to terminate wages on individuals' records. We found several cases where CRs accepted individuals' oral or signed statements and terminated wages without attempting to obtain preferred evidence to verify that the individuals' employment actually terminated. However, in another case, a quality reviewer cited the FO with an error because the CR did not terminate wages based on an individual's signed statement.

We asked CRs what evidence they most frequently used to terminate wages. We discovered that many CRs often use an individual's signed allegation without attempting to verify with the employer that the individual's employment had actually terminated. The signed allegation is considered by most CRs to be acceptable evidence and, in fact is the most expeditious to use. However, the signed allegation is the least preferred form of evidence and should only be used as a last resort.

It was apparent from our review that both CRs and OQA quality reviewers have different interpretations of the adequacy of evidence used to verify that employment has been terminated. We recommend that the policy be clarified to indicate when

signed allegations are acceptable evidence for terminating wages and what documentation is required to support the use of signed allegations as the sole evidence. Once clarified, the appropriate modifications should be made to POMS and quality review procedures.

◆ ***Recommendation 9: Revise POMS to Prompt Development of Cafeteria Plans***

When individuals participate in cafeteria plans, certain wages they receive are not counted when determining their SSI eligibility or when calculating their monthly benefit. A cafeteria plan is a written benefit plan offered by an employer where participants choose “cafeteria style” from a menu of two or more cash or qualified benefits. Cafeteria plans may include health insurance, life insurance, childcare, and other types of benefits. According to the Internal Revenue Service, wages used to purchase cafeteria plans are not part of gross income and are not subject to Social Security taxes. Therefore, in the SSI program, gross earned income is reduced by the amount of wages used to purchase the cafeteria plan.

Our review of IDA cases indicated that CRs were frequently not identifying cafeteria plans and reducing individuals’ wages accordingly. From discussions with CRs, we discovered that they were either unaware of the need to develop cafeteria plans or misunderstood the cafeteria plan procedures in POMS. CRs also indicated that it is often difficult to identify cafeteria plans on employer paystubs because very little information is provided. They also indicated that individuals frequently do not realize that they are participating in this type of program or that their participation impacts their SSI benefit.

In order to identify cafeteria plans, CRs must review the types of deductions on the paystubs. They also can determine, by mathematical calculation, whether the amount of Social Security tax being withheld equals the percentage that should be withheld from the employee’s gross wages. A cafeteria plan may exist if the appropriate amount is not withheld.

When CRs evaluate wage reports, they refer to the POMS section that generally defines wages and how they are counted for SSI purposes. However, this POMS section,<sup>12</sup> as currently written, does not explicitly lead CRs to consider the existence of a cafeteria plan.

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<sup>12</sup> POMS, section SI 00820.100 C.1

We recommend that the following language be added to the general wage chapter of the POMS to prompt CRs to develop cafeteria plans:

*If the correct amount of Social Security taxes has not been deducted from gross wages (e.g., the Social Security/Medicare tax shown is less than the current tax rate (7.65% for 1998) times the gross wages), determine whether a cafeteria plan is involved per SI 00820.102.*

◆ **Recommendation 10: Revise the Modernized Supplemental Security Income Claims System to Assist CRs in Developing Blind and Impairment-Related Work Expenses**

As with cafeteria plans, work expenses related to an individual's blindness or other impairment can be deducted from the individual's wages to determine eligibility and benefit amount. These wage reductions are generally referred to as blind work expenses (BWE) and impairment-related work expenses (IRWE). Separate rules apply for BWE and IRWE cases; some deductions that are allowable as BWE are not allowable under IRWE.

We reviewed numerous IDA cases where BWE and IRWE were not considered in determining eligibility and benefit amounts. We discussed these cases with CRs and it became evident that CRs do not encounter these issues on a daily or even monthly basis. CR experience in the development of these cases varies widely. Some geographic areas have few such cases, while other areas, such as locations with schools for the blind, have significant numbers of these cases.

Another problem is that recipients typically do not provide CRs with information about their expenses, and CRs rarely have enough time to discuss or develop every possible type of expense with recipients. CRs also told us that they often have very little time during the claims process to refer to POMS; therefore, it is possible that the development 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 BWE and IRWE cases.

To assist CRs, we recommend that a Modernized Supplemental Security Income Claims System (MSSICS) Help Screen be developed to provide assistance to CRs when completing the Blind and Disabled Work Expenses Screen. The Help Screen should provide CRs with a listing of the most common blind and impairment-related work expenses, as well as the related procedural references. Figure 3 shows our suggested Help Screen format.

Figure 3

|  |   |      |
|--|---|------|
| MSSICS   | BL IND OR DISABLED WORK EXPENSES<br>H ELP | INEQ |
| MSOM: 138-D<br>POMS SI 00820.555ff and DI 10520.001ff  |   |      |
| <ul style="list-style-type: none"><li>• TRANSPORTATION TO AND FROM WORK;</li><li>• NONMEDICAL EQUIPMENT/SERVICES;</li><li>• ATTENDANT CARE SERVICES;</li><li>• DRUGS, MEDICAL EQUIPMENT OR SUPPLIES;</li><li>• PHYSICAL THERAPY AND PROSTHESIS;</li><li>• TRAINING TO USE WORK EXPENSE ITEM;</li><li>• STRUCTURAL AND VEHICLE MODIFICATIONS; OR</li><li>• OTHER WORK-RELATED EQUIPMENT OR SERVICES.</li></ul><br><ul style="list-style-type: none"><li>• DOG GUIDES, INCLUDING FOOD AND UPKEEP (BWE ONLY) ;</li><li>• FEES, LICENSES OR DUES (BWE ONLY);</li><li>• INCOME/SS TAXES (BWE ONLY);</li><li>• PENSIONS/MANDATORY CONTRIBUTIONS (BWE ONLY); OR</li><li>• MEALS EATEN DURING WORK HOURS (BWE ONLY).</li></ul> |   |      |

The Blind or Disabled Work Expenses Screen will also need to be revised to reflect the addition of this Help Screen. Figure 4 shows our suggested modifications in bold.

Figure 4

|  |                                  |                           |
|--|----------------------------------|---------------------------|
| MSSICS   | BL IND OR DISABLED WORK EXPENSES | INEQ<br>TRANSFER TO: ____ |
| DO YOU HAVE ANY SPECIAL EXPENSES RELATED TO YOUR ILLNESS OR INJURY THAT YOU PAID WHICH ARE NECESSARY FOR YOU TO WORK (Y/N): ____ |                                  |                           |
| <b>SEE HELP SCREEN FOR EXAMPLES OF ALLOWABLE BWE/IRWE EXPENSES (PRESS F1)</b>  |                                  |                           |
| IS SGA INVOLVED (Y/N): ____  |                                  |                           |

◆ **Recommendation 11: Provide Training to FO Personnel on Cafeteria Plans and Blind and Impairment-Related Work Expenses**

While basic CR training is intensive, little more than passing reference is given to cafeteria plans, BWE, and IRWE. It is the general expectation that CRs will obtain additional on-the-job training for items that are not covered in detail in the basic training course. We did not find that any additional training on these issues had been provided to the CRs we interviewed. Failing to develop work-related expenses may be attributed

to a general lack of understanding of what cafeteria plans and work expense deductions are and how they impact benefits.

The IDA cases demonstrated that FOs are having difficulty identifying the existence of cafeteria plans and blind and impairment related work expenses. Our previous recommendation suggested changes to POMS and MSICCS to assist CRs in the development of these issues. However, cafeteria plans, BWE, and IRWE need to be further addressed in order to provide CRs with the necessary skills to accurately identify and develop cases where cafeteria plans or work expenses exist.

We recommend that SSA develop training packages for FO personnel, which focuses specifically on the identification and development of these cases. Additional training on developing cafeteria plans, BWE, and IRWE and improving interviewing techniques will enhance the CRs' knowledge, skills, and ability to calculate accurate payments.

◆ ***Recommendation 12: Revise MSSICS to Capture Self-Employment Income for the Current Taxable Year***

Income from self-employment is estimated and applied to an individual's record for the purposes of determining eligibility and for calculating monthly benefits. When determining the appropriate self-employment estimate to record for an individual, the anticipated profit from self-employment is divided and applied equally to each month in the taxable year. Self-employment estimates are ultimately verified by using tax returns to record the actual profit or loss.

When recipients initially apply for benefits, CRs are required to ask about any self-employment for the individual or any deermors. The general rule for self-employment is that any income earned in the taxable year must be applied to all months in the taxable year. Therefore, self-employment income is counted for 12 months for eligibility and payment purposes, regardless of how long the individual is engaged in the operation of the business or when the income is received.

In our review of IDA cases, we found that CRs frequently misapplied this rule. It appeared that CRs were inquiring only about self-employment activity that was occurring at the time of filing, even though any income from self-employment for the entire year needed to be applied. We confirmed that this was occurring when we interviewed CRs.

We examined MSSICS self-employment screens and related policies and procedures to determine the root cause of the error. We discovered that the MSSICS Income Menu Screen does not contain the appropriate question to accurately capture self-employment income. The screen currently prompts the CR to ask whether the individual received or expects to receive any self-employment income as of the first moment of the month of filing or in the next 3 months. The current question misleads

CRs to believe that self-employment would not be considered at all if it ended before the application date.

While MSSICS was primarily designed for experienced CRs, newer CRs are relying on and using MSSICS as an interviewing tool. Therefore, we recommend that the MSSICS Income Menu Screen be modified as shown in bold in Figure 5.

**Figure 5**

|  |  |                                       |
|--|--|---------------------------------------|
| MSSICS   | I NCOME MENU                                     | P AGE 3 OF IMEN<br>T RANSFER TO: ____ |
| SINCE THE FIRST MOMENT OF 07/01/1998 HAVE YOU RECEIVED OR EXPECT TO RECEIVE INCOME IN THE NEXT 3 MONTHS FROM ANY OF THESE SOURCES: |  |                                       |
| Y/N  |  |                                       |
| N  | CHILD SUPPORT                                    |                                       |
| N  | OTHER BUREAU OF INDIAN AFFAIRS INCOME            |                                       |
| N  | SICK PAY RECEIVED (EARNED)                       |                                       |
| N  | SICK PAY RECEIVED (UNEARNED)                     |                                       |
| N  | WAGES  |                                       |
| [ __   | <b>SELF-EMPLOYMENT - Removed]</b>                |                                       |
| N  | OTHER INCOME OR SUPPORT NOT PREVIOUSLY MENTIONED |                                       |
| <b>HAVE YOU BEEN OR ARE YOU SELF-EMPLOYED IN THE CURRENT TAXABLE YEAR (Y/N): __</b>  |  |                                       |



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# **CONCLUSION**

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Few “easy fixes” exist which would prevent earned income payment errors because the majority are caused by individuals failing to report changes in income to SSA. However, our recommendations suggest some proactive measures that SSA can take to effectively reduce the number and the financial magnitude of overpayments and underpayments.

One of these measures includes using readily available OCSE wage data to encourage individuals to self-report and to initiate benefit changes to prevent large overpayments and underpayments. Others include educating the public, improving SSA’s payment processes, and providing additional training to CRs.

We hope that these recommendations will assist management and FO employees in improving the administration of the SSI program. It is important to recognize that each recommendation can stand on its own merit and help improve payment accuracy. However, SSA could realize even greater results in payment accuracy if these recommendations were implemented together as each recommendation complements the other.

# ***APPENDICES***

**PAYMENT ACCURACY TASK FORCE**  
**STEERING COMMITTEE MEMBERS**

| <b>NAME</b>  | <b>COMPONENT</b> | <b>TELEPHONE</b>             | <b>MAILSTOP</b>        | <b>CC:MAIL</b> |
|--|------------------|------------------------------|------------------------|----------------|
| <b>Kelly Croft</b><br>Director, Office of Workforce Analysis   | DCHR             | 410-965-8172                 | 4-S-17 OPER            | ~S7H           |
| <b>Marilyn O'Connell</b><br>Associate Commissioner for Program and Benefits Policy   | DCOPP            | 410-965-6212                 | 760 ALT.               | ~S3EA          |
| <b>Pamela J. Gardiner</b><br>Assistant Inspector General for Audit   | OIG              | 410-965-9700                 | 4-G-1 OPER.            | ~S8A           |
| <b>Rich Gonzalez</b><br>Associate Commissioner for Systems   | DCS              | 410-965-6018                 | 3224 WHR               | ~S2GB          |
| <b>Joseph Gribbin</b><br>Associate Commissioner for Quality Assurance and Performance Assessment                                   | DCFAM            | 410-965-3894                 | 860 ALT.               | ~S1A           |
| <b>Virginia Baker</b><br>Program Administration and Financing  | OLCA             | 410-965-3281                 | 3202 WHR               | ~S5B           |
| <b>Ernestine Durham</b><br>Division of Operations Management<br>(Associate Commissioner for Public Service and Operations Support) | DCO              | 410-965-1882<br>410-965-5267 | 1228 WHR<br>4-A-25 OPS | ~S2PN6         |
| <b>Vince Sanudo</b><br>Deputy Associate Commissioner for Planning and Technology   | DCCOM            | 410-965-0356                 | 4-G-10 WHR             |                |
| <b>Gloria Tong</b><br>Analyst, Office of Strategic Management  | OC               | 410-965-2153                 | 250 ALT.               | ~SAPP          |

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