OFFICE OF THE STATE INSPECTOR GENERAL

Department for Aging and Rehabilitative Services: Disability Determination Services Program

Performance Audit

February 2018

Michael C. Westfall, CPA
Acting State Inspector General
Report No. 2018-PA-002

COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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Governor Ralph Northam
PO Box 1475
Richmond, VA 23219

Dear Governor Northam:

The Office of the State Inspector General (OSIG) recently completed an audit of the Department for Aging and Rehabilitative Services' (DARS) Disability Determination Services program. The final report, which outlines five findings and recommendations for improvement, is attached for your review and information.

OSIG would like to thank former DARS Commissioner James A. Rothrock and his staff for their cooperation and assistance during this audit.

Sincerely,

Michael C. Westfall, CPA
Acting State Inspector General

cc: Clark Mercer, Chief of Staff to Governor Northam
        Suzette P. Denslow, Deputy Chief of Staff to Governor Northam
        Dr. Daniel Carey, Secretary of Health and Human Resources
        Senator Bryce E. Reeves, Chairman, Rehabilitation and Social Services Committee
        Delegate Robert D. Orrock, Sr., Chairman, Health, Welfare and Institutions Committee
        Kathryn Hayfield, Commissioner, Department for Aging and Rehabilitative Services

Department for Aging and Rehabilitative Services: Disability Determination Services

What OSIG Found

Perform Compensation Study of Claims Adjudicators

The Virginia Disability Determination Services (DDS) program had the second highest turnover rate among the five states in the Social Security Administration's (SSA) Philadelphia Region and exceeded the national turnover rate in eight of the 10 years of data reviewed. A potential reason for the high turnover is the compensation claims adjudicators receive in relation to the complexity of the job they perform. Audit results revealed this position involves an array of multifaceted duties required by SSA to review a disability claim, with the ultimate goal of approving or denying the claim. Claims adjudicators are expected to process a predefined number of claims based upon their experience level in a production-driven work environment.

Develop a Universal Caseload Model

Survey comments and onsite interviews with claims adjudicators revealed there was either no application of disability caseload limit methodology in the regions, or if used, the methodology was used inconsistently across units in the region.

Create More Interactive Video Teleconferencing (VTC)

Thirty-two percent of survey respondents answered the training they received was not adequate to perform their job duties. Adjudicators need to be taught the SSA-required material in the Disability Examiner Basic Training Program (DEBTP) manual in a way that adequately prepares them to perform their job responsibilities.

Management concurred with OSIG's findings and plans to implement corrective actions from August 21, 2017 to October 1, 2018.

February 2018

HIGHLIGHTS

Why OSIG Did This Audit

OSIG conducted this performance audit to identify potential improvements to the Virginia Disability Determination Services (DDS) program. DDS reviews federal medical disability claims and issues approval or denial decisions. DDS is a function within the Department for Aging and Rehabilitative Services (DARS), but is 100 percent federally funded and must follow federal procedures.

The federal Social Security Administration (SSA) directs and oversees DDS' processes, including the effectiveness and efficiency of its operations. Although the state's ability to direct DDS is limited by federal control, our audit identified potential improvements in several DDS processes.

What OSIG Recommends

- DDS should perform a compensation study for claims adjudicators to determine if compensation is both internally equitable and externally competitive in the market.
- DDS should consider developing a DDS-wide universal case management model that will provide assistance to claims adjudicators to reduce the risk they become overwhelmed and ineffective.
- DDS should develop more interactive methods of training to better engage students.

For more information, please contact OSIG at (804) 625-3255 or www.osig.virginia.gov

TABLE OF CONTENTS

BACKGROUND

The Disability Determination Services (DDS) program is part of the Department for Aging and Rehabilitative Services (DARS). The mission of DDS is to determine the medical eligibility for Social Security Disability benefits for Virginians in a quality, timely and professional manner. DDS is federally regulated and funded entirely through the Social Security Administration (SSA). When SSA added protection for the disabled in 1954 under Title II of the Social Security Act, Congress wrote into the law that the disability decision had to be made by a state agency and not by a federal office. There are 54 DDS programs located in 50 states, the District of Columbia, Puerto Rico, Guam and the Virgin Islands. Each of the 54 DDS programs process disability claims independently, and all must follow the same rules and regulations set forth by the SSA in determining medical eligibility for applicants seeking SSA disability benefits. In accordance with SSA rules and regulations, DDS programs determine medical eligibility for two disability programs on behalf of SSA:

- Social Security Disability Insurance (SSDI)
  - ➤ Established in 1954 under Title II of the Social Security Act.
  - ➤ Pays benefits to the applicant and certain family members if the applicant worked long enough and paid Social Security taxes.
  - ➤ Funded via the Disability Trust Fund from taxes received from payroll withholdings of Federal Insurance Contributions Act (FICA tax) and the Self-Employment Contributions Act (SECA tax).
- Supplemental Security Income (SSI)
  - ➤ Established in 1972 under Title XVI of the Social Security Act.
  - ➤ Pays benefits to disabled children and adults who have limited income and resources.
  - ➤ Funded via the U.S. Treasury general funds from federal income tax withholdings.

Applicants obtaining benefits must be found unable to perform **any** type of work for at least 12 months due to physical, mental or combined physical and mental impairment. Unlike other programs, Social Security pays only for total disability. Partial disability or short-term disability result in no payment of benefits.

Initial applications for SSDI and SSI are filed at local SSA field offices by the applicant. The field office is responsible for verifying non-medical eligibility requirements, which may include age, employment, marital status or Social Security coverage information. Cases meeting the work credit (for SSDI) or income/asset criteria (for SSI) are sent to the state DDS program for development of medical evidence and a medical determination of disability. An assigned DDS claims adjudicator begins development by requesting all medical evidence listed by the applicant. After all the medical evidence has been received, a two-person team consisting of the

claims adjudicator and an internal medical or psychological consultant (i.e., medical consultant) review the evidence and analyze it using the SSA-required sequential evaluation process. This process is a series of five steps that must be followed in a pre-defined sequential order to determine a medical disability. Regardless of whether the applicant has submitted an initial claim for SSDI or SSI benefits, the same five-step evaluation process is used by the DDS program to review the initial claim and make a medical determination.

Step	The Five-Step Sequential Evaluation Process
1	• DDS considers the applicant's work activity, if any. If the applicant is doing substantial gainful activity (SGA), the applicant is found <u>not</u> disabled and the process ends. • If the applicant is not performing SGA (essentially not working), DDS continues to Step 2.
2	• DDS considers the medical severity of the applicant's impairment(s). The condition must interfere with basic work-related activities for the claim to be considered. If it does not, DDS will find the applicant is <u>not</u> disabled and the process ends. • If the condition <u>does</u> interfere with basic work-related activities, DDS continues to Step 3.
3	• DDS considers the medical severity of the applicant's impairment(s) from Step 2. For each of the major body systems, DDS maintains a list of medical conditions so severe that they automatically determine the applicant is disabled. The process ends and the applicant now qualifies for disability benefits. • However, if the applicant's condition is not on the list, DDS has to decide if the condition is of equal severity to a medical condition that is on the list. If the impairment(s) meets or equals the requirements of one of its Listings of Impairment <u>and</u> meets the duration requirement (expected to last at least 12 months or until death), Social Security will find the applicant is disabled. The process ends and the applicant now qualifies for disability benefits. • If the impairment does not meet or equal a listing, DDS continues to Step 4.
4	• If the applicant's condition is severe but not at the same or equal level of severity as a medical condition on the list in Step 3, then DDS must determine if the condition interferes with the applicant's ability to do the work he/she did previously (past relevant work). DDS considers its assessment of the abilities the applicant still has even with his/her disabling conditions (residual functional capacity) and past relevant work. If the applicant can still do his/her past relevant work, SSA will find the applicant is not disabled and the process ends. • If the applicant cannot perform his/her past relevant work, DDS continues to Step 5.

Step	The Five-Step Sequential Evaluation Process
5	• SSA will decide if the applicant is able to adjust to perform other work in the national economy. It will consider the applicant's medical condition(s), age, education, past work experience and any transferable skills he/she may have. If the applicant <u>cannot</u> adjust to perform other work, the claim will be approved. The process ends and the applicant now qualifies for disability benefits. • If the applicant can adjust to other work, the claim will be denied and the process ends.

After the DDS adjudication team makes the medical determination decision, the case file is returned to the local SSA field office for appropriate action. If the claimant is found disabled, SSA completes any outstanding non-disability development, computes the benefit amount and begins paying benefits. If the claimant is found not disabled, SSA informs him/her of the outcome and process to appeal the decision.

If the applicant has been identified by the local SSA field office as having a medical condition so severe that it clearly meets SSA disability standards, the disability claim is classified as either a Compassionate Allowances (CAL) or Quick Disability Determinations (QDD) and qualifies for a fast-track process. Since October 2008, SSA has required DDS to expedite the decision process for these types of claims. This is to allow the DDS claims adjudicators the ability to prioritize disability benefits claims that exhibit compelling circumstances, and cut certain procedural decision-making steps when the conclusions for those steps are clear from the outset, thus getting benefits into the hands of the most severely disabled with relative speed. DDS assigns these types of claims to designated claims adjudicators who have the knowledge, training and experience to effectively carry out this fast-track process.

The state DDS programs must follow their respective state personnel policies and procedures, including hiring practices. Federal regulations allow all DDS programs the latitude to provide the organizational structure and qualified personnel needed to make disability determinations. While SSA provides DDS programs with disability determination program standards, leadership and oversight, it does not become involved in the management of the program except as is necessary and in accordance with federal regulations. As such, SSA is not typically involved in a program's personnel-related actions.

Virginia DDS is part of the SSA Philadelphia Region (SSA Region 3). In addition to Virginia, this region consists of: Delaware, District of Columbia, Maryland, Pennsylvania and West Virginia.

DDS has approximately 448 total employees, including claims adjudicators, case consultants, supervisors, regional directors, staff physicians, clinical psychologists, office administrators, etc.

DDS is decentralized and has four regional offices: Central (Richmond), Northern (Fairfax), Southwest (Roanoke) and Tidewater (Norfolk). The Southwest and Tidewater offices are co-located with SSA field offices. The DDS administrative offices are located in Richmond and in a separate location from the Central Region office. During state fiscal years 2017 and 2018, DDS received federal funding of $52,000,000 per year for management and oversight of the disability determination program.

SCOPE

The audit scope covered Disability Determination Services operations for initial disability claims from October 1, 2014, through September 30, 2016.

OBJECTIVES

Objectives of this audit were:
- Identify how the Virginia DDS program compares to other DDS programs in the SSA Philadelphia Region regarding:
  - Processing time of initial disability claims;
  - Accuracy rate in adjudicating initial disability claims;
  - Experience level of claims adjudicators;
  - Turnover rate of employees; and
  - Best practices of other states.
- Determine if the training and supervisory assistance given to entry-level claims adjudicators is sufficient to allow them to make disability determinations.
- Ascertain the likelihood of fraud being committed by the claims adjudicator and medical consultant in the disability determination process.

METHODOLOGY

OSIG conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that OSIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OSIG believes the evidence obtained provides reasonable basis for the findings and conclusion based on the audit objectives.

OSIG applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:
- Conducting interviews and observations/walk-throughs;
- Collecting and analyzing results of survey responses received from claims adjudicators;
- Examining SSA disability determination policies and procedures to gain an understanding of the audit area;

- Assessing the processes for efficiency and effectiveness;
- Collecting and analyzing relevant data; and
- Benchmarking business process activities and performance metrics against similar DDS activities in other states using data supplied by SSA for the period of federal fiscal year 2007 through 2016.

FINDINGS

PERFORM COMPENSATION STUDY OF CLAIMS ADJUDICATORS

Virginia Disability Determination Services (DDS) had the second highest turnover rate among the five states in the Social Security Administration's (SSA) Philadelphia Region and exceeded the national turnover rate in eight of the 10 years of data reviewed. During federal fiscal year (FFY) 2015, DDS lost 47 of 242 (19.4 percent) claims adjudicators and during FFY 2016, DDS lost 48 of 240 (20.0 percent) claims adjudicators. These turnovers represent a combination of resignations, involuntary separations and retirements.

Continuous turnover results in increased human resources costs and time posting and interviewing replacements for positions, as well as to training new claims adjudicators. According to the Society for Human Resource Management, employee turnover costs approximately 60% of an employee's annual salary. Based on an advertisement of an entry level position in June 2016, the minimum salary before benefits is $34,286. Using that amount, employee turnover costs Virginia DDS at least $20,572 per employee leaving an adjudicator position. Using these estimates, turnover costs Virginia DDS approximately $966,884 in FFY 2015 and $987,456 in FFY 2016.

Furthermore, the loss of experienced claims adjudicators impacts current staff, causing them to juggle current workloads in addition to training new staff. By not addressing these issues, DDS will be unable to keep up with current and outstanding workload of processing disability claims submitted by the citizens of Virginia.

Currently, the SSA is subject to a freeze on the hiring of federal civilian employees as directed by a Presidential Memorandum issued on January 23, 2017. DDS is also subject to this directive based on its SSA funding. Continued turnover during this time intensifies the impact on DDS as it is not able to replace employees as they leave.

A possible reason for turnover is the compensation claims adjudicators receive in relation to the complexity of the job they perform. Claims adjudicators are responsible for reviewing medical records submitted by claimants that are applying for Social Security disability benefits, with the ultimate goal of approving or denying the claim in an accurate and efficient manner. Examination of claims data consists of securing and objectively analyzing medical records while appropriately applying the SSA definition of disability and sequential evaluation process of claims analysis to all adjudicated claims. In addition, claims adjudicators are expected to process a pre-defined number of claims based upon their experience level in a production-driven work environment.

An assessment of employee work profiles (EWP) for claims adjudicators, survey results and information gathered from interviews reveals this position is a multifaceted job that involves an array of complex duties required by SSA to review a disability claim and make a determination regarding:

- Severity of the disability condition;
- When the disability began;
- Length of time the disability has existed;
- How the disability will affect the claimant's ability to perform work; and
- The claimant's age, education and work experience.

Department of Human Resource Management Policy 3.05 – Compensation, states that agencies are to implement an agency salary administration plan that "addresses the agency's internal compensation philosophy and policies; responsibilities and approval processes; recruitment and selection process; performance management; administration of pay practices; program evaluation; appeal process; EEO considerations; and the employee communication plan."

Recommendation(s):

DDS, with assistance from the Department of Human Resource Management (DHRM), should perform a compensation study for claims adjudicators to determine if compensation is both internally equitable and externally competitive in the market. However, the DDS program is funded entirely by SSA, and any SSA budget constraints will limit funding increases.

In performing this evaluation, DDS should utilize results from the Joint Legislative Audit & Review Commission's State Employee Compensation Study released in November 2017. This study aims to find ways to attract and retain talent within the Commonwealth and would be useful to the agency.

Management Response:

DARS **agrees** with the conditions observed and recommendations as presented.

Management Corrective Action Plan:

Appendix I contains management corrective action plan received to address the above recommendation(s). In providing the plan, management committed to the following deliverables:

1. DARS Human Resources will conduct training of DDS mid-level management on policy updates and reinforcing agency commitment to a more progressive and flexible work environment, while not compromising performance and accountability to the mission of the agency;
2. Acquire resources from SSA to expand telework options;

3. Explore a discrete role code designation for claims adjudicators; and
4. Explore leveraging the existing pay for performance policy at DDS.

By separate communication, the DDS Director stated:

Attrition is a significant challenge at DDS in Virginia, and historically at all DDSs nationally. DARS/DDS firmly supports the need for a "DDS-specific" compensation study. Management defines this as a process that will help attract and retain quality DDS claims adjudicators: This process will:

- Include all state employee studies;
- Explore classification changes;
- Leverage state policies that may provide DDS with the tools to continually address compensation issues more effectively; and
- Use a more aggressive approach to leverage technology and modern work environments.

DEVELOP A UNIVERSAL CASELOAD MODEL

Survey comments and onsite interviews with claims adjudicators revealed there was either no application of disability caseload limit methodology in the regions, or if used, the methodology was used inconsistently across units in the region.

Management has a duty to provide and promote an environment where employees do not get overwhelmed by the number of disability cases that need to be processed, whereby the demands of closing cases in the production environment exceed their capability to cope and achieve case processing goals.

While Virginia DDS has some input, SSA determines the number of disability cases that will be processed by DDS during the federal fiscal year. In addition, SSA requires DDS to maintain quantity standards (the number of cases processed) and accuracy standards (the correct decision was rendered on the case), while receiving new cases daily in a production environment that must be completed by the claims adjudicator.

Based on survey responses and individual interviews, it is clear that when claims adjudicators fall too far behind in their caseloads, they become discouraged. Some claims adjudicators who fell behind reported they refused to take vacations or failed to have a work-life balance. A claims adjudicator can quickly become overwhelmed and struggle with completing cases, which can lead to mental and psychological stress in the workplace. This could result in employees leaving and being replaced by new staff who will need to be trained, thereby increasing training costs. This may be a contributing factor for the high attrition rate noted in other management comments.

Recommendation(s):

DDS should consider developing a DDS-wide universal case management model that will provide assistance to claims adjudicators before they become overwhelmed and ineffective. One way of creating this model is through collaboration of regional directors and select supervisors from across the state.

Management Response:

DARS **agrees** with the conditions observed and recommendations as presented.

Management Corrective Action Plan:

Appendix I contains management corrective action plan received to address the above recommendation(s). In providing the plan, management committed to the following deliverables:

1. "Town hall" style meetings will be held at all regional DDS offices to provide staff the opportunity to discuss this issue in a small group discussion environment with DDS executive leadership.
2. DDS management team will include this issue as a regular agenda item to be discussed at every management team meeting in FFY 2018. In addition, input will be solicited from SSA and other DDS partners regionally and nationally.
3. DDS Continuous Improvement Team (CIT) will conduct a specific research initiative on this issue.

By separate communication, the DDS Director stated:

DARS/DDS management will explore this issue internally and externally by holding discussions and soliciting user feedback in support of identifying a consistent model for caseload management. This includes consistent application and methods for managing caseloads based on volume and other key indicators related to the "health" of the caseload.

CREATE MORE INTERACTIVE VIDEO TELECONFERENCING (VTC)

Thirty-two percent of survey respondents answered that the training they received was not adequate to perform their job duties. Adjudicators need to be sufficiently taught the SSA-required material in the Disability Examiner Basic Training Program (DEBTP) manual in a way that adequately prepares them to perform their job responsibilities.

Reasons given with responses include:
- Use of video and PowerPoint presentations are no substitute for the value received from face-to-face and hands-on practice.
- Video training is faceless, impersonal and does not allow for interaction between the student and trainer.
- Required material in the DEBTP manual is not engaging to new adjudicators.

Although DDS recognizes the difficulty in delivering the training and has modified the training annually, respondents' sense of inadequate training results in additional stress in an already high-pressure environment. Further, if training is not effectively provided, the efficiency in adjudicating cases could be diminished.

Recommendation(s):
As there is currently a hiring freeze, which allows time for modifying future training, DDS should develop more interactive methods of training to better engage students, such as polling during video training and increased use of hands-on, face-to-face and one-on-one training.

Management Response:
DARS **agrees** with the conditions observed and recommendations as presented.

Management Corrective Action Plan:
Appendix I contains management corrective action plan received to address the above recommendation(s). In providing the plan, management committed to the following deliverables:
1. The conditions observed by OSIG are consistent with the feedback received from trainees and training unit supervisors. Based upon feedback received, ongoing efforts have been in place to incorporate more interactive models, more specific case examples and upgraded video equipment to encourage more discussion during training sessions.
2. Trainers have observed that some trainees learn at their own pace and have been given the flexibility to introduce and/or reintroduce different topics that show up in actual cases and the use of practical application exercises.

3. For the next class of new hires, the training team will travel to each regional office and perform face-to-face training. The training team has shortened the centralized part of the training where all the claims adjudicators receive the same "job essentials" information to review a disability claim. More specific on-the-job training will be provided at the regional office by the training unit supervisors and case consultants.

By separate communication, the DDS Director stated:

DARS/DDS management will continue to explore and implement a variety of strategies and avenues to improve training and make VTC sessions more interactive. This is an item that is never complete because it is heavily driven by technology, resources, individual styles and timing/volume of SSA-authorized hiring. DDS trainers already have a revised training plan in place, which we believe is more interactive than some recent strategies. However, for approximately 1.5 years DDS has had no hiring authority, which presents obvious challenges to implementing and evaluating new strategies.

2018-PA-002
OFFICE OF THE STATE INSPECTOR GENERAL

REQUIRE CONSISTENCY AMONG SUPERVISORS

Thirty-two percent of survey respondents indicated that if they were reassigned to a new unit, their previous training would not allow them to readily perform their job duties and they would have to relearn the methods/processes used by their new unit.

Reasons given with survey responses include:
- The training is not consistent among units. Trainees often complain about how one case consultant or supervisor will tell one claims adjudicator one thing and then tell another claims adjudicator something completely different. This makes the work confusing and much harder to learn.
- Claims adjudicators that have had multiple supervisors at DDS felt they received different answers to the same questions.
- The training provided and policies for reviewing disability claims is supposed to be consistent across all of the regional offices. However, each supervisor's use of the training and methods for implementing these policies varies from supervisor to supervisor within the office and across the regional offices.
- The teaching methods used varied from supervisor to supervisor depending upon when they were trained. This results in different individuals being taught different ways to accomplish the same task. Each supervisor will then form his or her own opinion and methodology on how the unit will perform its tasks.
- Supervisors have their own processes on how they want certain tasks done, and the tasks they deem that are not needed to be done. This varies from supervisor to supervisor and consistency among supervisors is void.
- Claims adjudicators that have come to our unit from other units experienced training that was completely different from what our unit had received and their unit had different supervisor expectations from our unit supervisor. It will be difficult for these claims adjudicators to transition to our unit or any other unit because there is no consistency with training amongst the units.

Supervisors are responsible for overseeing the success of the unit in adjudicating claims and establishing and supporting a work environment that encourages collaboration, innovation and quality work. Inconsistent supervision and changing work expectations frustrate employees while consistency increases employees' understanding about their work responsibilities and workplace demands.

SSA annually sets the number of disability determination cases that will be adjudicated by DDS. It is the responsibility of DDS to strictly follow the SSA's five-step sequential process, process cases timely and accurately and meet the SSA production requirements. SSA delegates to DDS the authority to hire and supervise the workforce needed to process the cases.

Inconsistent supervisory methods disrupt the unit's ability to adjudicate cases. DDS could experience the following:

- Increase in attrition rates due to frustrated employees;
- Inability of adjudicators to seamlessly transition from one unit to another as production needs change;
- Inefficiency in processing cases because adjudicators have to learn a new processing method on each unit;
- A culture of inconsistency;
- Different case outcomes depending on which unit processes the case; and
- Increase in processing time and/or lower accuracy rate.

Recommendation(s):

DDS should require consistency among regional offices and units that comprise those offices. Supervisors should adhere closely to the training provided to new adjudicators and ensure veteran adjudicators are adequately trained in new methodologies.

Management Response:

DARS **agrees** with the conditions observed and recommendations as presented.

Management Corrective Action Plan:

Appendix I contains management corrective action plan received to address the above recommendation(s). In providing the plan, management committed to the following deliverables:

1. This item along with all OSIG observations and recommendations will be discussed at the annual DDS Supervisors Conference.
2. Leadership and employee development cohorts will continue to focus on operational education and consistency across all offices.
3. DDS Continuous Improvement Team (CIT) is tasked with business process consistency.
4. DDS management team will maintain this as a regular agenda topic to be discussed at each management team meeting.

By separate communication, the DDS Director stated:

DARS/DDS management agrees that consistency amongst supervisors (as well as many other areas) should remain a focus. We will engage in efforts to achieve the goals of this recommendation. As an ongoing process, this is something that can't be technically measured nor marked complete. The action plan contains some of the strategies DDS will utilize in support of supervisors and overall consistency.

14

PROMOTE INTER-TEAM COMMUNICATION

Thirty-three percent of survey respondents indicated they were instructed not to discuss case difficulties with members of another unit. Survey comments and interviews with personnel indicated the reason adjudicators are discouraged from discussing case difficulties with members of another unit is because the supervisors want to be aware of difficulties their adjudicators are experiencing.

Encouraging inter-team communication among adjudicators results in idea sharing among teams. By removing silos, more consistency could be achieved across units.

Recommendation(s):

DDS should encourage open dialogue among all units' adjudicators to share best practices while still providing needed information back to supervisors so they will better understand areas where adjudicators are successful or struggling.

Management Response:

DARS **agrees** with the conditions observed and recommendations as presented.

Management Corrective Action Plan:

Appendix I contains management corrective action plan received to address the above recommendation(s). In providing the plan, management committed to the following deliverables:

1. "Town hall" style meetings will be held at all regional DDS offices to provide staff the opportunity to discuss this issue in a small group discussion environment with DDS executive leadership.
2. The DDS Continuous Improvement Team (CIT), training team/training supervisors/training case consultants will take on a specific research initiative and provide specific recommendations to DDS management regarding this issue.

By separate communication, the DDS Director stated:

DARS/DDS management promotes inter-team communication 100 percent and is committed to continue to do so. This finding is specifically related to expectations for formal vs. informal examiner training. DDS will clarify and promote methods to leverage informal learning and inter-team communication.

AUDIT RESULTS

This report presents the results of OSIG's audit of Disability Determination Services (DDS). The following audit testing was performed with immaterial, if any, discrepancies noted:

- Using SSA-provided processing time data for initial disability claims for FFY 2007 - 2016, OSIG compared Virginia DDS processing time to other DDS operations in the SSA Philadelphia Region. OSIG found:
  - ➢ Virginia DDS processing time for initial SSDI claims and initial SSI claims for the period reviewed are not significantly different from other state DDS operations in the Philadelphia Region or nation taking into account the number of new hires and required training time for 2013 and 2014 as explained in Appendix II.
  - ➢ Virginia DDS processing time for initial claims classified as CAL or QDD for the period reviewed are not significantly different from other state DDS operations in the Philadelphia Region or nation.
  - ➢ Appendix II contains SSA comparison data for processing time.
- Using SSA-provided accuracy rate data for initial disability claims for FFY 2007 - 2015, OSIG compared Virginia DDS accuracy rates to other DDS operations in the SSA Philadelphia Region. OSIG found:
  - ➢ Virginia DDS accuracy rates for initial claims for the period reviewed are not significantly different from other state DDS operations in the Philadelphia Region or nation.
  - ➢ Appendix III contains SSA comparison data for accuracy rates.
- Whereas SSA does not track the experience level of claims adjudicators, OSIG was able to obtain experience level from responses to a survey issued during the audit. Of 133 responses, 93 respondents (70 percent) have been a claims adjudicator from six months to five years, with the majority of this group (51 of the 93 respondents, or 55 percent) having one to three years as a claims adjudicator. The experience level is not having an impact on the delivery of services to Virginians.
- The likelihood of fraud being committed by the claims adjudicator and medical consultant in the disability determination process is low.
- Quality Assurance is conducting practices that assist DDS management in measuring the effectiveness of procedures, practices and training to ensure accurate and timely disability determinations.

Based on the results and findings of the DDS audit test work conducted, OSIG concluded internal controls were operating properly as they relate to DDS, except as identified in the report findings.

APPENDIX I – MANAGEMENT CORRECTIVE ACTION PLAN

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1	DDS, with assistance from the Department of Human Resource Management (DHRM), should perform a compensation study for claims adjudicators to determine if compensation is both internally equitable and externally competitive in the market. However, the DDS program is funded entirely by SSA, and any SSA budget constraints will limit funding increases. In performing this evaluation, DDS should utilize results from the Joint Legislative Audit & Review Commission's State Employee Compensation Study being performed in November 2017. This study aims to find ways to attract and retain talent within the Commonwealth and would be useful to the agency.	The DDS is 100% federally funded, subject to closely involved monitoring and performance oversight by SSA; and despite high turnover rates, it is subject to federal hiring freezes and limitations on new and replacement hiring. The DDS is a very detail oriented, production environment with specific objective metrics and rigid accountability standards for performance. However, the ability of DDS management to strategically plan and address attrition is compromised by the unpredictable nature of if/when the DDS receives hiring authority, which is only granted at the federal level. The job is also one of the most difficult to learn in the national economy. There is an extensive learning curve to achieve the lowest level of DDS Adjudicator (2+ years). There is only one DDS per state. Therefore, many DDS jobs only exist in another state DDS. Unless an employee moves from one state DDS to another, there is no relevant experience, background, nor degree program that indicates potential success in the DDS Adjudicator job. During federal year 2017, the national DDS attrition rate was in excess of 15%. Combined with an extremely unique federal/state	1A --- DARS Human Resources Training aimed supervisory development, a refresher on policy/policy updates, and reinforcing agency commitment to a more progressive and flexible work environment; while not compromising performance and accountability to the mission of the agency. During the summer of 2017, DARS HR Director held a training and information session at each DDS site for DDS mid-level management and up, as well as staff from other DARS divisions. More than 150 members of the leadership team participated. The sessions included specific discussions about taking advantage of existing development opportunities and agency willingness to better leverage existing policies, such as the	1A) 8/24/2017	1A) Scott Grimes, DARS Human Resources Director

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	relationship, the 50+ year old DDS attrition challenge has many layers and variables. Obviously, Virginia is not unique with its attrition and recruitment challenges. This is a national issue tied directly to the state's inability to strategically determine when to hire, compounded further by the extreme complexities of the job, educational requirements/preferences, limited opportunities to identify transferable skill sets, strict performance accountability, and unique factors related to local economies. Compensation is only one area that would provide DDS significant leverage and some measure of strategic control regarding attrition and recruitment, which is why we only conceptually agree with the observations and recommendations. The audit hit upon the right area, noting compensation as an obstacle. However, we feel a generic compensation study is not an effective solution. There have been compensation studies in the past and internal/external alignment efforts which provide only short-term benefits. There is no single action nor series of actions that will solve the challenge, but there are actions that will have a positive impact. 1) Considering the significant loss of investment in hiring, training and development, DDS management needs more flexibility to develop and implement a compensation	"retention adjustment" policy, in an effort to strategically utilize existing avenues to retain and better compensate critical staff. 1B) --- DDS management continues working with SSA leadership to acquire the equipment and implement operational protocol that will enable the DDS to expand telework options for more DDS employees. DDS continues to escalate and frame the challenges, but this decision is ultimately at SSA discretion. 2) --- Explore a discrete role code designation for DDS. 3) --- Explore leveraging the existing pay for performance policy in the DDS. We may gain support due to the uniquely objective performance metrics utilized in the DDS environment.	1B) 8/21/2017 2) 9/8/2017 3) 10/1/2018	1B) Leon Scales, DDS Director 2) Scott Grimes, DARS Human Resources Director 3) Leon Scales, DDS Director & Mike Racz, DDS Case Consultant

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
		plan/strategy appropriate for its extremely unique business needs. Leveraging progressive incentives (such as telework, recognition programs, flexible scheduling, and leadership & employee development initiatives) should be utilized more aggressively in order to attract and retain staff. 2) Exploration of a discrete "role code" assigned to DDS staff, specifically the DDS adjudicator position, would also have a positive impact. The DDS has hundreds of adjudicators who populate the role code of Program Administration Specialist I/II along with thousands of other totally unrelated job positions within state government. A specific role code would enable better identification of the unique attrition and recruitment challenges faced by the DDS. If a discrete role code existed, the DDS adjudicator position would undoubtedly be identified as one of state government's "high turnover/difficult to recruit" positions. 3) Exploration of whether the DDS may be able to leverage the existing "Pay for Performance" policy already in place may also make a positive impact. Unlike most state agencies, the DDS has very specific performance metrics which could be used to objectively implement a pay for performance plan.			

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
2	DDS should consider developing a DDS-wide universal case management model that will provide assistance to claims adjudicators before they become overwhelmed and ineffective. One way of creating this model is through collaboration of regional directors and select supervisors from across the state.	It would be ideal if there were an objective formula that worked for most employees, positioning them for success while limiting the chance that they become overwhelmed. There is no specific education, degree, or background identified that serves as an indicator for potential success in the DDS Adjudicator position. Similarly, a variety of models are successful regarding caseload management, often driven by style or personality, which are very subjective qualities. DDS management will invest in a variety of management team discussions, direct staff feedback, input from the broader regional/national DDS community, and a special assignment via our Virginia DDS Continuous Improvement Team (comprised of staff across a variety of positions and all offices) to research, evaluate recommendations, and ultimately implement a trial or pilot model process. Target implementation is the beginning of FFY 2019.	1)The DDS Director and Deputy Director plan to host a series of "town hall meetings" to include a session in every DDS site. This effort will provide staff an opportunity for small group discussion with the DDS Division Executive Leadership. We will utilize the opportunity to incorporate the universal caseload model concept, as well as all OSIG recommendations, into the discussion. 2) DDS Management Team will maintain "case management model" as a regular agenda topic for each management team meeting during FFY18; as well as solicitation of input from SSA and other DDS partners regionally and nationally. 3) The DDS Continuous Improvement Team (CIT) takes on a specific research initiative.	1) 10/1/2018 2) 10/1/2018 3) 10/1/2018	1) Leon Scales, DDS Director & Danita Scherff, DDS Deputy Director 2) Leon Scales, DDS Director & Danita Scherff, DDS Deputy Director 3) Betsy Slease, DDS Training Coordinator

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
3	As there is currently a hiring freeze which allows time for modifying future training, DDS should develop more interactive methods of training to better engage students, such as polling during video training and increased use of hands-on, face-to-face and one-on-one training.	We agree that the observations are consistent with the historical feedback, perceptions, and internal surveys. The Virginia DDS approach to operations is a "Continuous Improvement" model. The federal program administered by DDS has specific training and other program requirements that limit flexibility. However, DDS management has revised the screening, interview, reference and testing parts of the new-hire process almost every training class over the last 10 years. Likewise, the DDS training team has changed parts of the training process constantly, in an effort to improve training while maintaining program integrity and enhancing the training experience for adjudicator trainees.	1) In advance of the performance audit, based on internal survey and feedback from adjudicator trainees and training unit supervisors, there are already ongoing efforts to incorporate more interactive methods. The training team has worked to include more specific case examples in training. They have also upgraded the video equipment to encourage more engaging discussion (i.e., more monitors, better sound systems). 2) Trainers have and continue to develop online trainings that have more interactive segments that enable trainees some flexibility to learn at their own pace. This also enables the training unit supervisor to introduce and/or reintroduce different topics as they show up in actual cases and practical application exercises. 3) The training team also has plans to travel for the	1) 5/1/2018 2) 5/1/2018 3) 10/1/2018	1) Kyle Lawrence, DDS Trainer & Christen King, DDS Trainer 2) Kyle Lawrence, DDS Trainer & Christen King, DDS Trainer 3) Betsy Slease, DDS

| ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
			next hiring class. They will be performing some face-to-face training at each site to help engage all the offices. The training team has also shortened the "centralized" part of training so adjudicators acquire the "job essentials" through consistent messaging from the training team and then receive more specific on the job training with their local training unit supervisors and case consultants.		Training Coordinator
4	DDS should require consistency among regional offices and units that comprise those offices. Supervisors should adhere closely to the training provided to new adjudicators and ensure veteran adjudicators are adequately trained in new methodologies.	DDS management conceptually agrees with these observations and recommendations. At a national level, the most significant management challenge in all state DDSs is finding the appropriate balance between production and quality. This is more of an art than a science. Similarly, the same challenge holds true at the office/unit level internal to the Virginia DDS. Providing opportunities for individual supervisors to manage their units independently, while maintaining consistency across units and offices, is a significant challenge.	1) Annual DDS Supervisors' Conference – objectives are to always include consistent messaging, consistent vision, networking and collaborative best practices. We will address and facilitate a discussion regarding all OSIG observations and recommendations.	1) 5/1/2018	1) Lynn Mabry, Special Projects Coordinator
		Consistency among offices and consistency with messaging has been a top priority for DDS leadership for many years. The annual Virginia DDS Supervisors' Conference is a direct product of the DDS director's desire to improve consistency, particularly as it relates	2) Leadership and employee development cohorts (DLI and EDGE) to continue focus on operational education and consistency across all	2) 10/1/2018	2) Betsy Slease, Training Coordinator & Lynn Mabry, Special Projects Coordinator

| ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
		to communication and vision for the DDS division. DDS management will continue to work towards improving upon that delicate balance, allowing supervisors to incorporate their personal style and expertise, while establishing a core model for all adjudicative units and offices.	offices. 3) The DDS Continuous Improvement Team (CIT) is tasked with business process consistency. 4) DDS management team will maintain as a regular agenda topic for consistency efforts at each management team meeting. The DDS special projects coordinator will develop and implement a plan for an annual statewide business process audit.	3) 10/1/2018 4) 10/1/2018	3) Betsy Slease, Training Coordinator 4) Miguel Johnson, Special Projects Coordinator

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
5	DDS should encourage open dialogue among all units' adjudicators to share best practices while still providing needed information back to supervisors so they will better understand areas where adjudicators are successful or struggling.	DDS management conceptually agrees with these observations and recommendations. However, it is important to note, limiting the caseload and program feedback trainees receive from staff outside the training units and trainers allows those responsible for training to have a better handle on trainee progress (or lack thereof). DDS management is committed to enabling a stronger balance between mentoring/inter-team collaboration, and ensuring staff are properly trained with sound programmatic knowledge.	1)The DDS director and deputy director plan to host a series of "town hall meetings" to include a session in every DDS site. The effort provides staff an opportunity for small group discussion with DDS division executive leadership. We will utilize the opportunity to solicit feedback when meeting with the training and transition units. 2) The DDS Continuous Improvement Team (CIT), training team/training supervisors/training case consultants take on a specific research initiative and provide specific recommendations to the DDS management team.	1) 10/1/2018 2) 10/1/2018	1) Leon Scales, DDS Director & Danita Scherff, DDS Deputy Director 2) Betsy Slease, DDS Training Coordinator

APPENDIX II – Processing Time

Processing Time for Initial Title II Claims (Disability Insurance Program)

Legend: Nation, Philadelphia Region, Virginia DDS

Processing Time for Initial Title XVI Claims (Supplemental Security Income Program)

Legend: Nation, Philadelphia Region, Virginia DDS
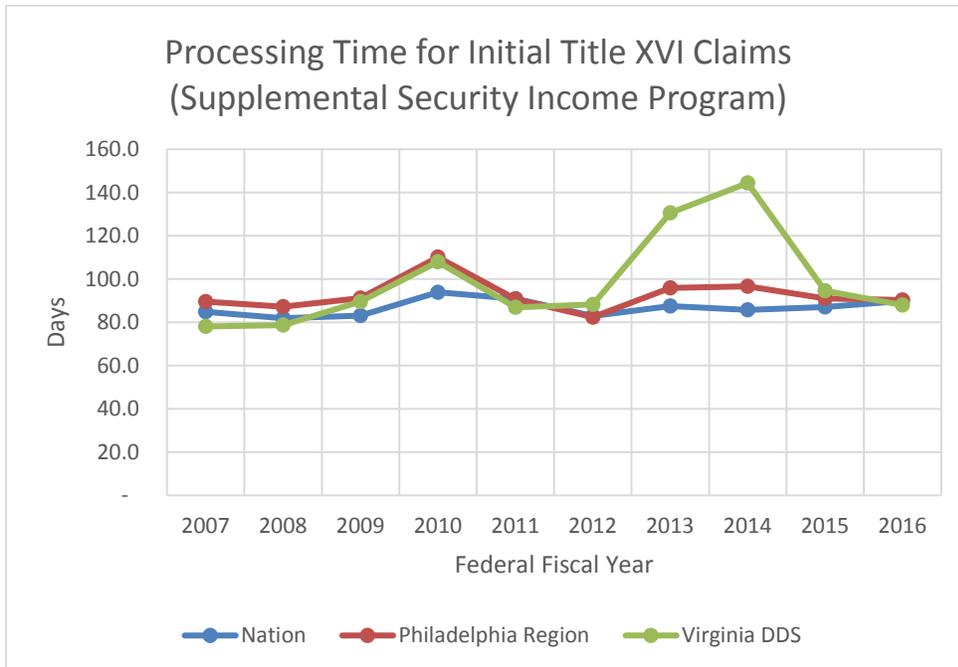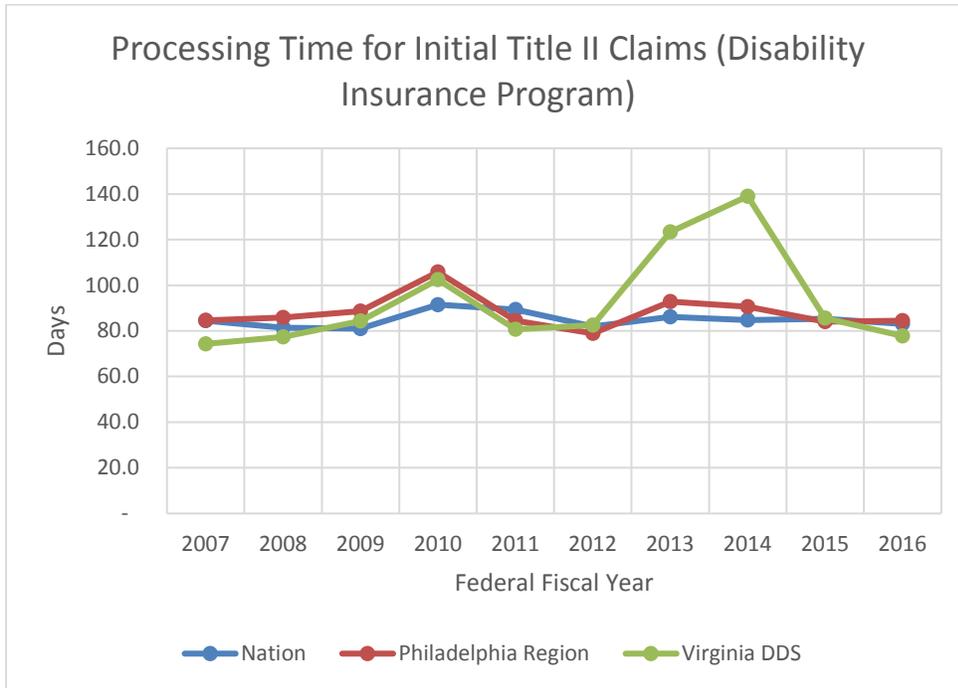
Note: Processing time for both SSDI and SSI increased due to new claims adjudicators being hired in FFY 2013. New claims adjudicators were being trained to gain the knowledge, skills and abilities to process initial disability determinations. Whereas processing time increased, the accuracy rate (Appendix III) of making the correct decision was not impacted during this period.

25

Processing Time for Initial Compassionate Allowance Claims (CAL)
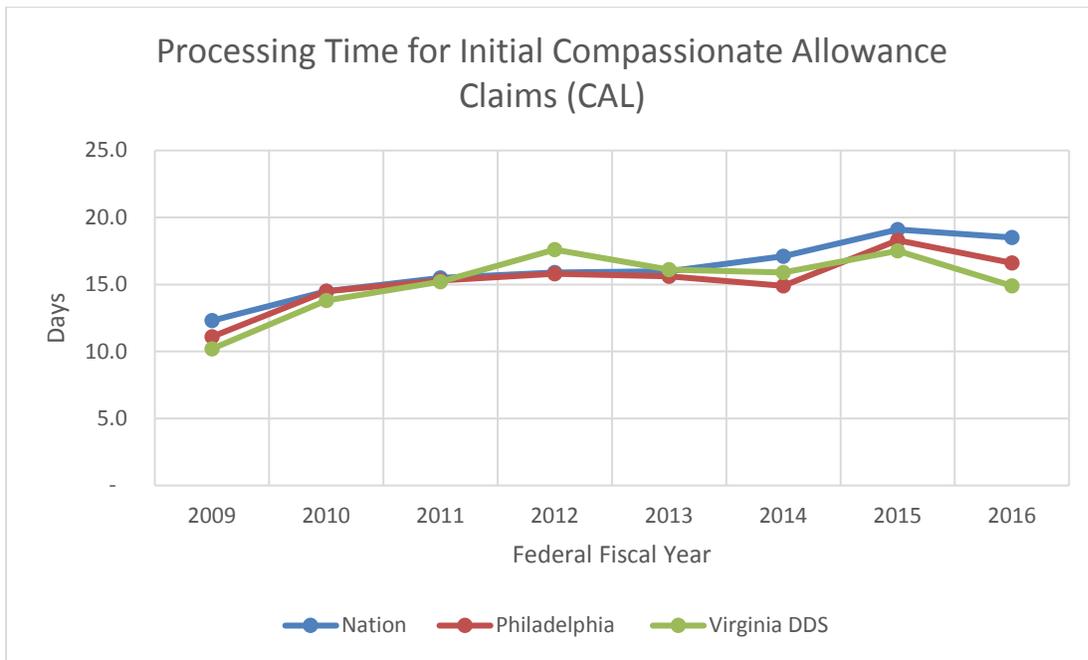
Note: SSA did not start tracking CAL processing time until 2009.

APPENDIX III – Accuracy Rate
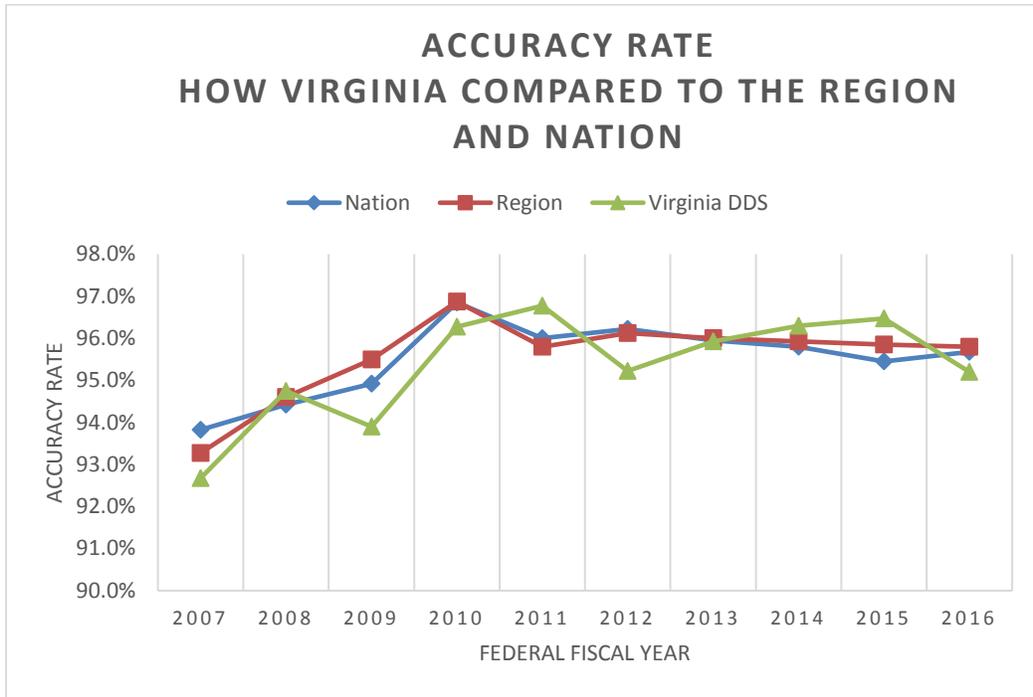
APPENDIX IV – Attrition Rate

Attrition Rate Comparison for Only Disability Examiner Staff