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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**ADJUSTMENT OF WIDOW'S  
INSURANCE BENEFITS  
AT FULL RETIREMENT AGE**

**May 2007**

**A-01-07-27122**

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**AUDIT REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

## **Authority**

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

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

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

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

## **Vision**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**



# SOCIAL SECURITY

## MEMORANDUM

Date: May 14, 2007

Refer To:

To: The Commissioner

From: Inspector General

Subject: Adjustment of Widow's Insurance Benefits at Full Retirement Age (A-01-07-27122)

## OBJECTIVE

Our objective was to determine whether the benefits to widow(er)s were properly adjusted when they attained full retirement age (FRA).

## BACKGROUND

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance program under Title II of the Social Security Act.<sup>1</sup> The program provides monthly benefits to retired or disabled workers and their families and to survivors of deceased workers.

Some individuals are dually entitled to both disability benefits based on their own earnings history and widow's benefits based on their deceased spouses' earnings.<sup>2</sup> Although disability benefits are generally not reduced based on the age of the beneficiary, widow's benefits are reduced when beneficiaries elect to receive them prior to their FRA. However, if the widow's benefit started when the disability benefit began or later, the widow's benefits are adjusted—and the reduction for age is eliminated—when disability ends and retirement benefits are awarded. Usually, this occurs when

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<sup>1</sup> Social Security Act § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

<sup>2</sup> Throughout our report, we use the term "widows" to include both widows and widowers.

the beneficiaries attain FRA.<sup>3</sup> In December 2005, about 3.6 million beneficiaries were dually entitled to both retirement benefits and widow's benefits.<sup>4</sup>

SSA staff are instructed to prepare manual diaries to control cases in which disability beneficiaries become entitled to reduced widow's benefits to ensure the appropriate adjustments are made when disability ends and retirement benefits are awarded.<sup>5</sup> In addition, SSA's Title II Redesign system produces alerts when these beneficiaries attain FRA. SSA staff then determine whether adjustments to the widow's benefits are needed. Because the Agency does not currently have an automated system to make the necessary adjustments, employees must take manual actions to ensure these beneficiaries are paid correctly.

In November 2006, an SSA employee informed us of a population of 10,210 widows whose benefits appeared to not have been properly adjusted when they attained FRA. We randomly sampled 200 beneficiaries from this population for detailed analysis. (See Appendix A for additional information about our scope, methodology and sample results.)

## RESULTS OF REVIEW

We found that the benefits to most of the widows in our population were not properly adjusted when the beneficiaries attained FRA. As a result, the widows were not paid all of the benefits that were due them. Based on the results of our sample, we estimate that about 9,751 beneficiaries were underpaid approximately \$113.7 million through November 2006. In addition, if SSA does not take action to correct the benefits paid to these widows, we estimate they will continue to be underpaid about \$137.8 million over the rest of their lives.<sup>6</sup>

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<sup>3</sup> Social Security Act § 202(q)(3); 42 U.S.C. § 402(q)(3). FRA for people born before January 2, 1938 is age 65. The FRA increases gradually until it reaches age 67 for people born January 2, 1960 or later. Social Security Act § 216(l); 42 U.S.C. § 416(l). See also SSA's Program Operations Manual System (POMS), RS 00615.003.

<sup>4</sup> SSA, *Annual Statistical Supplement, 2006* (Table 5.G2).

<sup>5</sup> SSA, POMS, RS 00615.482(C).

<sup>6</sup> To estimate the amount of additional benefits that will be owed these widows in the future, we multiplied the last monthly underpayment amount by the number of months the beneficiaries are expected to live beyond November 2006. We used the life expectancy rates published by the Department of Health and Human Services, Centers for Disease Control and Prevention (National Vital Statistics Report, Vol. 54, No. 14, Table A, April 19, 2006).

## **SAMPLE RESULTS**

SSA did not properly adjust the benefits to 194 of the 200 widows in our sample (about 97 percent) when the widows attained FRA.<sup>7</sup> Although the Agency detected 3 of these cases prior to our audit and took corrective action, the remaining 191 cases went unresolved. These 191 widows were owed approximately \$2.2 million through November 2006.

For example, one widow attained age 65 in August 1997 and her disability benefits were converted to retirement benefits. At that time, she was entitled to receive an additional \$222 per month in widow's benefits. As of November 2006—when she was 74 years old—her benefits had not been adjusted and, as a result, she was owed approximately \$27,869. Unless SSA takes action to correct her benefit payments, we estimate she will continue to be underpaid an additional \$31,947 in the future.

We found that 27 of the 191 underpaid widows in our sample died and never received the additional amounts due them. The widows were owed about \$260,039 prior to their deaths. For example, one widow attained age 65 in January 1993. At that time, SSA should have begun paying her an additional \$103 per month in widow's benefits. She died in August 2006 (at the age of 79) without receiving the additional \$19,827 that was owed her.

Because SSA does not currently have an automated system to make the necessary adjustments, manual actions are needed to ensure the widows are paid correctly. Agency staff acknowledged that these cases are error prone. SSA's Office of Automation Support is in the planning and analysis stages of automating dual entitlement processing in the Title II Redesign system. SSA's Office of Quality Performance plans to begin a project to identify all beneficiaries—living and deceased—whose widow's benefits were not properly adjusted when disability benefits ended and retirement benefits began.

SSA's Office of Systems could not confirm whether the cases in our audit were previously identified and alerted through its automated systems. Therefore, we could not determine whether the benefits went uncorrected because the cases were not identified for adjustment, or whether they were in fact alerted but were not properly corrected by SSA staff.

## **UNDERPAYMENTS TO THE WIDOWS IN OUR POPULATION**

We estimate that about 9,751 of the 10,210 beneficiaries in our population were underpaid because their benefits were not adjusted when they attained FRA and their disability benefits were converted to retirement benefits. On average, 121 months (or 10 years) elapsed since the beneficiaries attained FRA. The following table

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<sup>7</sup> The remaining six cases in our sample were not underpaid because either: (1) they were entitled to widow's benefits before receiving their own disability benefits, or (2) their widow's benefits were subject to the benefit limitation provisions of Social Security Act § 202(e)(2)(D), 42 U.S.C. § 402(e)(2)(D).

summarizes the number of months that the beneficiaries in our population have been potentially underpaid.<sup>8</sup>

<b>Period Potentially Underpaid</b>	<b>Number of Beneficiaries</b>	<b>Percent</b>
Up to 3 years	556	5%
4 to 6 years	1,469	14%
7 to 9 years	3,285	32%
10 to 12 years	2,633	26%
13 to 15 years	885	9%
16 to 18 years	617	6%
19 to 21 years	264	3%
Over 21 years	501	5%
<b>Total</b>	<b>10,210</b>	<b>100%</b>
<b>Average Period</b>	<b>10 Years</b>	
<b>Median Period</b>	<b>9 Years</b>	

## **CONCLUSION AND RECOMMENDATIONS**

The benefits to most of the widows in our population were not properly adjusted when the beneficiaries attained FRA. As a result, we estimate they have been underpaid about \$113.7 million through November 2006. In addition, we estimate these widows will continue to be underpaid about \$137.8 million in the future unless SSA takes action to correct the benefits paid to them. Therefore, we recommend SSA:

1. Review the 10,210 cases in our population and take action to pay the additional amounts due the widows.
2. Remind staff of the proper procedures for: (a) establishing diaries when adjustments will be needed in the future; and (b) adjusting widow's benefits when disability ends and retirement benefits are awarded.
3. Review the automated programs in use and modify them if necessary to ensure all widows' cases requiring adjustment are properly identified and controlled.

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<sup>8</sup> This represents the number of months that elapsed between the dates the beneficiaries attained FRA and the earlier of their dates of death or November 2006, when we obtained our data.

**AGENCY COMMENTS**

SSA agreed with our recommendations. (See Appendix B.)

A handwritten signature in black ink, appearing to read "Pat P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

# *Appendices*

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[APPENDIX A](#) – Scope, Methodology and Sample Results

[APPENDIX B](#) – Agency Comments

[APPENDIX C](#) – OIG Contacts and Staff Acknowledgments



# Scope, Methodology and Sample Results

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Act and Social Security Administration (SSA) regulations, policies and procedures.
- Obtained a file of the 10,210 beneficiaries—identified by an SSA employee in September 2004—whose benefits appeared to have not been properly adjusted when they attained full retirement age (FRA) and their disability benefits were converted to retirement benefits.<sup>1</sup>
- Randomly sampled 200 beneficiaries from the population for detailed analysis. For each sampled beneficiary, we reviewed the electronic benefit records on SSA's systems.
  - ✓ If benefits should have been adjusted at FRA but were not, we calculated the amount of benefits that should have been paid between the beneficiary's FRA and the earlier of: (1) November 2006, or (2) his/her date of death.
  - ✓ If the beneficiary was currently receiving benefits, we multiplied the last monthly underpayment amount by the number of months the beneficiary was expected to live beyond November 2006, to estimate the amount of additional benefits that will be owed in the future.<sup>2</sup>
- We consulted staff in SSA's Office of Systems to gain an understanding of how the Agency's systems identify these cases.

We performed our audit between November 2006 and January 2007 in Boston, Massachusetts. We tested the data obtained for our audit and determined it to be sufficiently reliable to meet our objective. The principal entities audited were SSA's Program Services Centers under the Deputy Commissioner for Operations and the Office of Retirement and Survivors Insurance Systems under the Deputy Commissioner for Systems. We conducted our audit in accordance with generally accepted government auditing standards.

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<sup>1</sup> Because the population included widows who were receiving benefits in 2004, we are working with SSA to identify all widows who are currently receiving benefits and who may be underpaid.

<sup>2</sup> We used the life expectancy rates published by the Department of Health and Human Services, Centers for Disease Control and Prevention (National Vital Statistics Report, Vol. 54, No. 14, Table A, April 19, 2006).

## POPULATION AND SAMPLE INFORMATION

<b>Table 1: Population by Program Service Center.</b>	
<b>Responsible Program Service Center</b>	<b>Number of Beneficiaries</b>
Northeastern Program Service Center	2,090
Mid-Atlantic Program Service Center	1,584
Southeastern Program Service Center	1,403
Great Lakes Program Service Center	1,533
Western Program Service Center	2,037
Mid-America Program Service Center	1,449
Office of International Operations	114
<b>Total</b>	<b>10,210</b>

<b>Table 2: Population by State.</b>			
<b>State</b>	<b>Count</b>	<b>State</b>	<b>Count</b>
Alabama	135	Montana	57
Alaska	18	Nebraska	34
Arizona	208	Nevada	83
Arkansas	158	New Hampshire	73
California	1,120	New Jersey	349
Colorado	195	New Mexico	50
Connecticut	138	New York	850
Delaware	36	North Carolina	231
District of Columbia	13	North Dakota	41
Florida	551	Ohio	423
Georgia	226	Oklahoma	133
Hawaii	27	Oregon	170
Idaho	57	Pennsylvania	537
Illinois	416	Puerto Rico	221
Indiana	168	Rhode Island	77
Iowa	103	South Carolina	158
Kansas	49	South Dakota	37
Kentucky	124	Tennessee	170
Louisiana	147	Texas	400
Maine	89	Utah	76
Maryland	105	Vermont	40
Massachusetts	311	Virginia	148
Michigan	355	Washington	231
Minnesota	120	West Virginia	111
Mississippi	114	Wisconsin	177
Missouri	219	Wyoming	17
		Outside the United States	114

**Table 3: Population and sample size.**

Population Size	10,210
Sample Size	200

**Table 4: Beneficiaries who were underpaid because their benefits were not properly adjusted when disability ended and retirement benefits were awarded at full retirement age.**

	Number of widows	Additional benefits owed through November 2006	Estimated additional benefits to be owed after November 2006
Identified in Sample	191	\$2,227,658	\$2,699,483
Point Estimate	9,751	\$113,721,946	\$137,808,597
Projection Lower Limit	9,425	\$102,365,525	\$121,822,335
Projection Upper Limit	9,966	\$125,078,367	\$153,794,858

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

**Table 5: Beneficiaries in Table 4 who died before receiving the additional benefits due them.**

	Number of widows	Dollars Underpaid
Identified in Sample	27	\$260,039
Point Estimate	1,378	\$13,274,991
Projection Lower Limit	995	\$8,275,097
Projection Upper Limit	1,846	\$18,274,885

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

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** April 25, 2007 **Refer To:** S1J-3

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

**From:** Larry W. Dye /s/

**Subject:** Office of the Inspector General (OIG) Draft Report, "Adjustment of Widow's Insurance Benefits at Full Retirement Age" (A-01-07-27122)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "ADJUSTMENT OF WIDOW'S INSURANCE BENEFITS AT FULL RETIREMENT AGE" (A-01-07-27122)**

Thank you for the opportunity to review and comment on the draft report. Our responses to the specific recommendations are provided below.

**Recommendation 1**

The Social Security Administration (SSA) should review the 10,210 cases in our population and take action to pay the additional amounts due the widows.

Response

We agree. The processing centers will complete reviewing the 10,210 cases by the end of fiscal year 2007.

**Recommendation 2**

SSA should remind staff of the proper procedures for: (a) establishing diaries when adjustments will be needed in the future; and (b) adjusting widow's benefits when disability ends and retirement benefits are awarded.

Response

We agree. We will issue an Administrative Message (AM) with reminders in April 2007. Specifically, the AM will cover: (a) establishing diaries when adjustments will be needed in the future; (b) adjusting widow's benefits when disability ends and retirement benefits are awarded; and (c) explaining the benefit rules to members of the public to help widow(er)s make appropriate claim decisions and better inform them of the benefits that will be available once full retirement age is reached.

**Recommendation 3**

SSA should review the automated programs in use and modify them if necessary to ensure all widows' cases requiring adjustment are properly identified and controlled.

Response

We agree. Our policy and operations staff will review the existing automated programs in use and explore options to modify them to ensure all widows' cases requiring adjustment are properly identified and controlled.

[SSA also provided technical comments.]

## OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Judith Oliveira, Director, Boston Audit Division (617) 565-1765

Jeffrey Brown, Audit Manager (617) 565-1814

### ***Acknowledgments***

In addition to those named above:

Chad Burns, Auditor

Kevin Joyce, IT Specialist

Frank Salamone, Auditor

Melinda Tabicas, Auditor

David York, Program Analyst

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-01-07-27122.

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## **Office of Audit**

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

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OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

## **Office of Resource Management**

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.