



## SOCIAL SECURITY

### MEMORANDUM

Date: May 22, 2008

Refer To:

To: The Commissioner

From: Inspector General

Subject: Quick Response Evaluation: Underpayments to Widows (A-01-08-28116)

The attached final report presents the results of our review. Our objective was to quantify the amount of Title II benefits owed a group of widows whose benefits were not properly adjusted at full retirement age.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll".

Patrick P. O'Carroll

Attachment

# ***QUICK RESPONSE EVALUATION***

## ***Underpayments to Widows***

**A-01-08-28116**



May 2008

## **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.**

## OBJECTIVE

Our objective was to quantify the amount of Title II benefits owed a group of widows whose benefits were not properly adjusted at 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 spouse's earnings.<sup>2</sup> Although disability benefits are generally not reduced based on the beneficiaries' age, widow's benefits are reduced when beneficiaries elect to receive them before they reach FRA. However, if the widow's benefits started when the disability benefits began or later, the widow's benefits are adjusted and the reduction for age is eliminated when disability benefits end and retirement benefits are awarded. Usually, this occurs when the beneficiaries attain FRA.<sup>3</sup> In December 2006, about 3.6 million beneficiaries were dually entitled to both retirement benefits and widow's benefits.<sup>4</sup>

SSA technicians 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 technicians then determine whether adjustments to the widow's benefits are needed. Because the Agency does not have an automated system to make the necessary adjustments, employees must take manual actions to ensure these beneficiaries are paid correctly.

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

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

<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, 2007 (Table 5.G2).

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

In May 2007, we issued a report on *Adjustment of Widow's Insurance Benefits at Full Retirement Age* (A-01-07-27122). Based on the results of our audit, we estimated that about 9,751 beneficiaries were underpaid approximately \$113.7 million through November 2006. In May 2008, SSA reported these widow's records were reviewed and corrected in Fiscal Year 2007. Because SSA corrected the benefits for these widows, they will receive about \$137.8 million in additional payments over the rest of their lives.

As a result of our findings, we recommended that SSA review the automated programs in use and make necessary modifications to ensure all widows' cases requiring adjustment are properly identified and controlled. SSA agreed and planned to implement a computer system enhancement in May 2008.

Because the population used for our May 2007 audit was identified in 2004, we indicated in that report that we would conduct additional analysis to identify a more recent population of widows who may have been underpaid. Therefore, we identified 9,603 widows who were not in the prior audit population but appeared to be underpaid. In March 2008, we referred these new cases to SSA's Office of Operations for review and corrective action. SSA informed us it began working these cases in April 2008 and expects to complete them all in Fiscal Year 2008.

We selected a random sample of 200 cases from this new population for detailed analysis. (See Appendix A for additional information about our scope, methodology and sample results.)

# Results of Review

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Based on the results of our review, we estimate that about 8,403 beneficiaries were owed approximately \$95 million through February 2008. 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 \$211 million over the rest of their lives.<sup>6</sup>

## SAMPLE RESULTS

SSA did not properly adjust the benefits to the 200 widows in our sample when they attained FRA. As a result, the widows were not paid all of the benefits due them. Although the Agency detected 25 of these cases before our review and adjusted the benefit amounts, the remaining 175 cases went unresolved. These 175 widows were owed approximately \$2 million through February 2008.

For example, one widow attained FRA in April 1994 and her disability benefits were converted to retirement benefits. At that time, she was entitled to receive an additional \$231 per month in widow's benefits. As of February 2008—when she was 78 years old—her benefits had not been adjusted and, as a result, she was owed approximately \$45,970. Unless SSA takes action to correct her benefit payments, we estimate she will be underpaid an additional \$35,802 in the future.

We found that 3 of the 175 underpaid widows in our sample died and never received the additional amounts due them. These widows were owed about \$18,417 before their deaths.<sup>7</sup> For example, one widow attained FRA in December 1999. At that time, SSA should have begun paying her an additional \$103 per month in widow's benefits. She died in 2007 (at the age of 73) without receiving the additional \$10,964 owed her.

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<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 February 2008. 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. 56, No. 9, Tables 2 and 3, December 28, 2007).

<sup>7</sup> An underpayment due a deceased beneficiary is payable to the surviving spouse, surviving children, other family members, or legal representative of the estate. 20 C.F.R. § 404.503(b). See also POMS, GN 02301.030.

## UNDERPAYMENTS TO THE WIDOWS IN OUR POPULATION

We found the 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. As of February 2008, an average of about 7 years had elapsed since the beneficiaries attained FRA. The following table summarizes the number of years the beneficiaries in our population had been potentially underpaid.<sup>8</sup>

<b>Period Potentially Underpaid</b>	<b>Beneficiaries</b>	
Up to 3 years	3,725	39%
4 to 6 years	1,295	13%
7 to 9 years	1,885	20%
10 to 12 years	1,286	13%
13 to 15 years	651	7%
16 to 18 years	362	4%
19 to 21 years	171	2%
Over 21 years	228	2%
<b>Total</b>	<b>9,603</b>	<b>100%</b>
<b>Average Period</b>	<b>7 Years</b>	
<b>Median Period</b>	<b>6 Years</b>	

<sup>8</sup> This represents the time that elapsed between the dates the beneficiaries attained FRA and the earlier of their dates of death or February 2008, when we reviewed our data.

## *Matters for Consideration*

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The benefits to the widows in our population were not properly adjusted when they attained FRA and, as a result, they were not paid all of the benefits due them. Although the Agency detected some of these cases before our review and adjusted the benefit amounts, most of the cases went unresolved.

We estimate about 8,403 widows were owed approximately \$95 million through February 2008. In addition, we estimate these widows will continue to be underpaid about \$211 million in the future unless SSA takes action to correct the benefits paid to them.



# *Appendices*

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APPENDIX A – Scope, Methodology and Sample Results

APPENDIX B - 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.
- Identified a file of 9,603 individuals receiving benefits in January 2008 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 February 2008 or his/her date of death.
  - ✓ If the beneficiary was receiving benefits, we multiplied the last monthly underpayment amount by the number of months the beneficiary was expected to live beyond February 2008, to estimate the amount of additional benefits that will be owed in the future.<sup>2</sup>

We performed our review in March and April 2008 in Boston, Massachusetts. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objective. We conducted our review in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

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<sup>1</sup> We compared this population to that of our prior audit—*Adjustment of Widow's Insurance Benefits at Full Retirement Age*, (A-01-07-27122), May 2007—to ensure that no beneficiaries were included in both populations.

<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. 56, No. 9, Tables 2 and 3, December 28, 2007).

## 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	1,407
Mid-Atlantic Program Service Center	1,486
Southeastern Program Service Center	1,952
Great Lakes Program Service Center	1,579
Western Program Service Center	1,710
Mid-America Program Service Center	1,391
Office of International Operations	78
<b>Total</b>	<b>9,603</b>

<b>Table 2: Population by State.</b>			
<b>State</b>	<b>Count</b>	<b>State</b>	<b>Count</b>
Alabama	218	Montana	50
Alaska	13	Nebraska	34
Arizona	175	Nevada	73
Arkansas	134	New Hampshire	59
California	905	New Jersey	301
Colorado	118	New Mexico	47
Connecticut	97	New York	554
Delaware	30	North Carolina	348
District of Columbia	11	North Dakota	29
Florida	561	Ohio	452
Georgia	284	Oklahoma	140
Hawaii	29	Oregon	168
Idaho	46	Pennsylvania	503
Illinois	381	Puerto Rico	175
Indiana	173	Rhode Island	56
Iowa	80	South Carolina	215
Kansas	75	South Dakota	27
Kentucky	199	Tennessee	255
Louisiana	114	Texas	428
Maine	64	Utah	54
Maryland	108	Vermont	19
Massachusetts	194	Virginia	208
Michigan	347	Washington	179
Minnesota	97	West Virginia	138
Mississippi	143	Wisconsin	190
Missouri	209	Wyoming	18
		Outside the United States	78

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

Population Size	9,603
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.**

	<b>Number of widows underpaid through February 2008</b>	<b>Additional benefits owed through February 2008</b>	<b>Estimated additional benefits to be owed after February 2008</b>
Identified in Sample	175	\$1,979,828	\$4,401,242
Point Estimate	8,403	\$95,061,451	\$211,325,654
Projection Lower Limit	7,974	\$83,416,734	\$188,789,798
Projection Upper Limit	8,750	\$106,706,168	\$233,861,510

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

## **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

Katie Toli, 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-01-08-28116.

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## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Chief Counsel to the Inspector General (OCCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation 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. Also, OCCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

### **Office of Technology and Resource Management**

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.