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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**UNDERPAID DISABLED WIDOWS**

**February 2011**

**A-01-10-20115**

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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: February 23, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Underpaid Disabled Widows (A-01-10-20115)

## OBJECTIVE

The objective of our review was to determine whether individuals entitled to disabled widow(er)'s<sup>1</sup> benefits (DWB) were receiving benefits based on the correct month of entitlement (MOET).

## BACKGROUND

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*.<sup>2</sup> The program provides monthly benefits to retired or disabled workers and their families, and to survivors of deceased workers.

Certain surviving spouses and divorced spouses of fully insured deceased workers may receive DWB.<sup>3</sup> In 2009, SSA paid 236,480 beneficiaries DWB. To be eligible for this benefit, these beneficiaries must

- be at least age 50 but not yet age 60 and disabled;
- be unmarried or remarried after age 50 and after the onset of disability;
- be disabled within 7 years of the worker's death or, if applicable, the last receipt of another type of widow's benefits;
- not be entitled to a retirement benefit on his or her own account that equals or exceeds the deceased number holder's Primary Insurance Amount (PIA);<sup>4</sup> and
- file an application.

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<sup>1</sup> Throughout our report, we use the term widow to include both widows and widowers.

<sup>2</sup> *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

<sup>3</sup> *Social Security Act* §§ 202(e) and 202(f); 42 U.S.C. §§ 402(e) and 402(f). See Appendix C for more information about the different types of widow's benefits.

<sup>4</sup> The PIA is the figure on which monthly benefits are based and is determined by an average of the worker's earnings in Social Security covered employment.

A claimant becomes entitled to benefits in the month he or she files an application, if he or she meets all other factors of entitlement, which includes serving a 5-month waiting period.<sup>5</sup> Several factors influence the MOET determination, including the claimant's age, date of filing, and date of disability onset. The Agency may pay benefits retroactively up to 12 months before the filing date.<sup>6</sup>

A disabled widow beneficiary receives approximately 71.5 percent of the deceased worker's PIA per month beginning with the MOET.<sup>7</sup> Additionally, the disabled widow beneficiary is entitled to Medicare benefits 24 months after the MOET.<sup>8</sup> These claims are usually processed using SSA's systems, but, in cases where exceptions occur, manual processing by SSA staff is necessary.

During our review, *Disability Insurance and Supplemental Security Income Claims Approved in 2006 but Not Paid*,<sup>9</sup> we found individuals approved in 2006 who were receiving benefits, but whose benefits should have started earlier than they did. SSA staff concluded that the Agency should have paid earlier 16 claims we identified. We initiated this review to determine the extent of this issue in other years.

We obtained a file of all disability allowances for Calendar Years 2003 through 2005 and 2007 through 2009 processed by the disability determination services. (See Table 1 for the number of DWB claims allowed in these years.) Through analysis of this file, we identified 3,749 DWB claims that appeared to be processed using an incorrect MOET. These individuals should have started receiving benefits (cash payments and/or Medicare) earlier than they did. We randomly selected 50 cases for detailed review. (See Appendix B for our scope, methodology, and sample results.)

Table 1: Number of DWB Allowances by Year						
Year	2003	2004	2005	2007	2008	2009
Number of Allowances	27,324	27,744	29,576	28,810	30,605	31,518

<sup>5</sup> *Social Security Act* §§ 202(e) and 202(f); 42 U.S.C. §§ 402(e) and 402(f). See also, SSA, POMS, DI 10110.001.

<sup>6</sup> SSA, POMS, GN 00204.030(B)(2).

<sup>7</sup> SSA, POMS, DI 11015.001(B).

<sup>8</sup> SSA, POMS, DI 10110.001(G)(2).

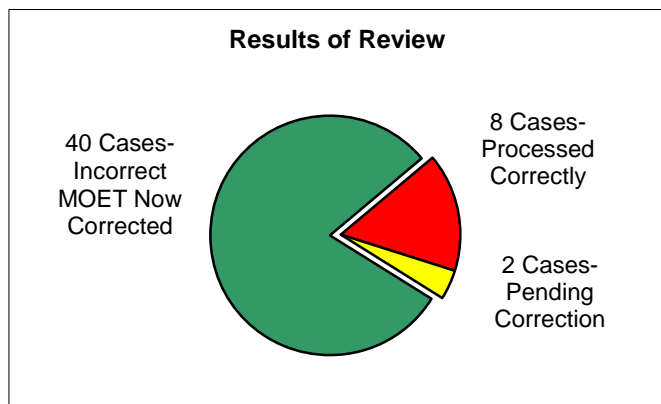
<sup>9</sup> *Disability Insurance and Supplemental Security Income Claims Approved in 2006 but Not Paid* (A-01-10-11009), July 16, 2010.

## RESULTS OF REVIEW

SSA processed some claims for DWB using an incorrect MOET. Based on our review, we estimate that SSA processed approximately 3,000 DWB claims using an incorrect MOET from 2003 through 2005 and 2007 through 2009. As a result, SSA underpaid approximately 2,400 of these beneficiaries about \$14 million. Additionally, we estimate that approximately 2,800 beneficiaries were delayed in receiving Medicare entitlement. SSA's policies related to determining MOET are rather complex, and many beneficiaries would not recognize that their MOET was determined incorrectly.

Of the 50 cases in our sample,

- 40 (80 percent) were processed using an incorrect MOET, and SSA took corrective action based on our review;
- 8 (16 percent) were processed correctly; and
- 2 (4 percent) were processed using an incorrect MOET, but SSA was still correcting them as of January 2011.



## CASES PROCESSED USING AN INCORRECT MONTH OF ENTITLEMENT

Of the 40 cases processed using an incorrect MOET that have been corrected, 29 were underpaid and Medicare entitlement was delayed; 8 were not underpaid, but Medicare entitlement was delayed; and 3 were underpaid, but Medicare was processed correctly. (See Table 2.)

<b>Table 2: Cases with Underpayments and Delayed Medicare Entitlement</b>	
<b>Case Type</b>	<b>Number of Cases</b>
Underpayment and Delayed Medicare	29
Delayed Medicare Only	8
Underpayment Only	3
<b>Total Cases Processed Using an Incorrect MOET</b>	<b>40</b>

### **Beneficiaries Underpaid**

Of the 50 beneficiaries in our sample, SSA underpaid 32 about \$190,000 because of the incorrect MOET.<sup>10</sup> We referred these cases to SSA, and, as a result of the Agency's corrective action, these beneficiaries received about \$177,000.<sup>11</sup> These beneficiaries were underpaid an average of 8 months, ranging from 1 to 27 months.

For example, a widow from Georgia filed for DWB in April 2006. The date of her disability onset was January 11, 2004. When the Agency processed her claim in February 2007, SSA assigned her a MOET of April 2006, and this is when her benefits began. We referred this case to SSA in July 2010, and, after reviewing the case, the Agency corrected her MOET to April 2005 because she was due 12 months of retroactive benefits. As a result, she received a check for \$13,504 in September 2010. Additionally, she originally became entitled to Medicare in April 2008, but her entitlement would have begun in April 2007 had this claim been processed correctly.

### **Beneficiaries with Delayed Medicare Entitlement**

Of the 50 beneficiaries in our sample, 37 were delayed in receiving Medicare entitlement because of the incorrect MOET. These 37 beneficiaries had their Medicare delayed by an average of 7 months, ranging from 1 to 27 months.

For example, a widow from North Carolina applied for DWB in March 2009. The date of her disability onset was March 9, 2008. She was already receiving a monthly check on her deceased husband's account because she was caring for a child who also received benefits on that account. Therefore, she would not receive any additional monthly cash benefits because of her DWB claim, but she was entitled to Medicare benefits. When SSA approved her claim in May 2009, her MOET was May 2009, and her Medicare benefits would start 24 months later, in May 2011. We referred this case to SSA in July 2010, and after reviewing the case, the Agency corrected her MOET to September 2008 because that is the MOET based on the 5-month waiting period after the date of disability onset. Her Medicare became effective September 2010—8 months earlier than it would have had we not referred the case to SSA. Medicare is important to many individuals, especially those with no other health insurance.

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<sup>10</sup> The average past-due benefit was \$5,941, and these past-due benefits ranged from a low of \$256 to a high of \$18,078.

<sup>11</sup> Of the \$190,000 in past-due benefits, \$177,000 was paid to the claimants, and \$13,000 was used to collect overpayments on the claimants' record or from other benefits the claimants were receiving.

## REASONS WHY CASES WERE PROCESSED INCORRECTLY

It appeared that most of these cases needed to be manually processed. The probability of error increases in these cases because transposition and typographical errors are more common when SSA staff manually key entitlement data. Additionally, most of these claims involved past-due benefits when they were initially processed, which may have added to the complexity of the cases.

## CONCLUSION AND RECOMMENDATIONS

Our review found that although SSA processed the majority of DWB cases correctly, the Agency did not process some beneficiaries' DWB claims using the correct MOET. We estimate that SSA processed approximately 3,000 DWB claims using an incorrect MOET from 2003 through 2005 and 2007 through 2009. These 3,000 cases represent only 1.7 percent of the 175,577 DWB allowance decisions issued in these years. Therefore, we recommend SSA:

1. Review the remaining cases in our population in which it appears the wrong MOET was used and take appropriate corrective action.
2. Remind employees of the proper procedures to follow when manually processing DWB claims.

## AGENCY COMMENTS

SSA agreed with our recommendations. See Appendix D for the Agency's comments.



Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope, Methodology, and Sample Results

APPENDIX C – Comparison of Types of Widow's Benefits

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments



## Acronyms

DWB	Disabled Widow(er)'s Benefit
MOET	Month of Entitlement
PIA	Primary Insurance Amount
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

# Scope, Methodology, and Sample Results

To achieve our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Obtained a file of all disability claims with an initial- or reconsideration-level allowance in Calendar Years 2003 through 2005 and 2007 through 2009. From this file, we identified 3,749 beneficiaries whose disabled widow(er)'s benefit (DWB) claims appear to have been processed using the wrong month of entitlement (MOET) and therefore they should have started receiving benefits (cash payments and/or Medicare) earlier than they did.
- Selected a random sample of 50 cases for detailed review. For each case, we:
  - ✓ Reviewed SSA's systems, including the Master Beneficiary Record and Disability Determination Services Query, to determine whether the correct MOET was used when processing the claim.
  - ✓ Determined whether an underpayment existed and/or Medicare entitlement should have begun sooner and calculated the number of months that elapsed between the correct MOET and the MOET used to process the claim.
  - ✓ Calculated the amount of the underpayment that existed on the record.
  - ✓ Referred cases with potential findings to SSA's Office of Operations for review and appropriate action.<sup>1</sup>

We conducted our audit between July and November 2010 in Boston, Massachusetts. The entity audited was SSA's field office staff under the Deputy Commissioner for Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> We identified a population of 3,749 beneficiaries where it appears SSA processed their DWB claims using the wrong MOET. We reviewed a random sample of 50 cases and referred 42 to SSA for confirmation. When reviewing the remaining cases to refer to SSA, we identified 15 duplicate records in the file and 16 cases paid correctly. On December 15, 2010, we referred 3,668 cases to SSA.

## SAMPLE RESULTS

<b>Table B-1: Population and Sample Size</b>	
Population size	3,749
Sample size	50

<b>Table B-2: DWB Claims Processed Using the Wrong Month of Entitlement</b>	
<b>Attribute Projections</b>	
Sample cases	40
Point estimate	2,999
Projection lower limit	2,569
Projection upper limit	3,324

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

<b>Table B-3: Underpayments to DWB Beneficiaries Resulting from the Wrong Month of Entitlement</b>	
<b>Attribute Projections</b>	
Sample Results	32
Point Estimate	2,399
Projection lower limit	1,931
Projection upper limit	2,819
<b>Dollar Projections</b>	
Sample results	\$190,108
Point estimate	\$14,254,260
Projection lower limit	\$9,942,056
Projection upper limit	\$18,566,465

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

<b>Table B-4: Delayed Medicare Entitlement to DWB Beneficiaries Resulting from the Wrong Month of Entitlement</b>	
<b>Attribute Projections</b>	
Sample cases	37
Point estimate	2,774
Projection lower limit	2,323
Projection upper limit	3,142

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

## Comparison of Types of Widow’s Benefits

The chart below compares eligibility requirements and rules that determine monthly benefit amounts for three types of Social Security widow benefits.<sup>1</sup>

<b>Current Eligibility Requirements and Rules that Determine Monthly Survivor Benefit Amounts (by Type of Widow Benefit)</b>			
Eligibility and benefit amount determinants	Aged widow	Child-in-care widow	Disabled widow
<b>Eligibility</b>			
Basic	Aged 60 or older	Has a child-in-care who is under age 16 or disabled	Ages 50–59 and disabled
	Worker died fully insured	Worker died either fully or currently insured	Worker died fully insured
Marital status (general)	Unmarried, or remarried after age 60	Unmarried	Unmarried or remarried after age 50 and after onset of disability
	If divorced, marriage duration must equal or exceed 10 years	If divorced, marriage does not have to equal or exceed 10 years	If divorced, marriage duration must equal or exceed 10 years
Other factors commonly affecting eligibility	None	None	Disability within 7 years of the worker's death or, if applicable, last receipt of child-in-care benefits

<sup>1</sup> *Social Security Act* §§ 202(e) and 202(f); 42 U.S.C. §§ 402(e) and 402(f), and 20 CFR § 404.335. See also, SSA, *Social Security Bulletin*, Vol. 70 No. 3, 2010, “Widows and Social Security”, which can be found at <http://www.ssa.gov/policy/docs/ssb/v70n3/v70n3p89.html>.

Benefit amounts			
Eligibility and benefit amount determinants	Aged widow	Child-in-care widow	Disabled widow
Benefit rate- as percent of the Primary Insurance Amount (PIA)	100 percent	75 percent	71.5 percent
Other factors commonly affecting benefit amounts	Reduced if claimed before the full retirement age (71.5 to 100 percent of PIA)	Family maximum (150 to 187.5 percent of PIA)	None
	Limited to the higher of the amount the deceased worker would receive if alive or 82.5 percent of PIA	Earnings test	
	Increased if the deceased worker earned delayed retirement credits		
	Earnings test		

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

Date: January 26, 2011

Refer To: S1J-3

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

From: Dean S. Landis /s/  
Deputy Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Underpaid Disabled Widows"  
(A-01-10-20115)—INFORMATION

Thank you for the opportunity to review the draft report. Attached is our response to the report.

Please let me know if we can be of further assistance. You may direct staff inquiries to Rebecca Tothero, Acting Director, Audit Management and Liaison Staff, at (410) 966-6975.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“UNDERPAID DISABLED WIDOWS” (A-01-10-20115)**

We offer the following responses to your recommendations:

**Recommendation 1**

Review the remaining cases in our population in which it appears the wrong MOET was used and take appropriate action.

**Response**

We agree. We will review the remaining cases you identified and take any appropriate corrective action.

**Recommendation 2**

Remind employees of the proper procedures to follow when manually processing DWB claims.

**Response**

We agree. We will issue an administrative message to employees reminding them to use the correct MOET. In addition, we will include in the reminder the proper procedures to follow when manually processing DWB claims.

[Additionally, SSA provided technical comments, which were incorporated in the report where appropriate.]



## OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Judith Oliveira, Director, Boston Audit Division

Phillip Hanvy, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Katie Greenwood, Senior Auditor

Kevin Joyce, IT Specialist

Brennan Kraje, Statistician

William Kearns, IT Specialist

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Social Security Advisory Board

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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.

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