



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Supplemental Security Income
Recipients Who Have Life Insurance
Policies with Cash Surrender Values

A-02-16-21186 | June 2017



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 27, 2017

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values (A-02-16-21186)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration accurately determined the cash surrender values of Supplemental Security Income recipients' life insurance policies as countable resources.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

A handwritten signature in black ink that reads "Gale Stallworth Stone".

Gale Stallworth Stone

Attachment

Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values

A-02-16-21186



June 2017

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) accurately determined the cash surrender values (CSV) of Supplemental Security Income (SSI) recipients' life insurance policies as countable resources.

Background

Some life insurance policies have a CSV. A policy owner can obtain the CSV by cancelling the policy before it fully matures.

SSA must determine the resource value of an individual's life insurance policy when it determines an applicant's SSI eligibility. It must also do so when completing redeterminations. Redeterminations are scheduled annually if a change in non-medical eligibility factors is likely to occur or once every 6 years if a change is unlikely.

We reviewed a random sample of 250 recipients who had life insurance policies with face values of \$25,000 or more and CSVs that were unverified by SSA for 5 years or more.

Findings

SSA did not always accurately determine the CSVs of SSI recipients' life insurance policies. Of the 114 records we determined needed to be verified, SSA either had not verified the CSVs of the recipients' life insurance policies or had not verified them in 6 years or longer.

For 3 of the 114 recipients, SSA records had information on the CSV. We determined the three recipients were ineligible for SSI payments, and SSA improperly paid them \$11,010 because their CSVs took them over the allowable resource limit for SSI eligibility.

For the remaining 111 cases, SSA did not have copies of the life insurance policies in its records. Lacking the policies, we used SSA's estimation methodology and determined that all these recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs. Per policy, recipients cannot be determined ineligible based on estimated CSVs, but staff is required to determine the actual CSVs when the estimated CSVs suggest the recipients have excess resources. Had these recipients been determined to be ineligible for SSI payments when their estimated CSVs suggested they were over the resource limit, they would have been improperly paid about \$3.9 million.

Projecting to our population, we estimate about 6,600 recipients may have been improperly paid approximately \$229 million because their CSVs under existing SSA policy brought their resources over the allowable limit for SSI eligibility.

Lastly, while the estimated CSVs suggested these recipients may have been ineligible for SSI payments, we determined the estimation formula likely overstated actual CSVs.

Recommendations

We made 4 recommendations, including that SSA should verify the CSV for the 114 cases we determined need to be verified and determine whether the CSV in additional life insurance policies in our population should also be verified.

SSA agreed with our recommendations.

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ABBREVIATIONS

CSV	Cash Surrender Value
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SNAP	Supplemental Nutrition Assistance Program
SSA	Social Security Administration
SSI	Supplemental Security Income

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) accurately determined the cash surrender values (CSV) of Supplemental Security Income (SSI) recipients' life insurance policies as countable resources.

BACKGROUND

Some life insurance policies have a CSV, which is a form of equity a policy acquires over time. A policy owner can obtain the CSV by cancelling the policy before it fully matures. SSA considers the CSV of a life insurance policy a resource if the face value of the policy is over \$1,500. SSI applicants and recipients can have resources up to \$2,000 for an individual and \$3,000 for a couple.

SSA must determine the CSV of an individual's life insurance policy when it determines an applicant's SSI eligibility. If examination of a policy does not reveal the CSV, staff can obtain that information from the individual's insurance company and document it on a report of contact form/screen. If the insurance company cannot or will not provide the requested information, staff can use SSA's formula to determine an estimated CSV. If the estimated CSV does not exceed the SSI resource limit and the SSI applicant is otherwise eligible, SSA staff can process the applicant's claim and verify the actual CSV afterwards. However, staff cannot process a claim until the CSV has been verified when the estimated CSV indicates the applicant may be over the resource limit for SSI eligibility.

Generally, the estimated CSV is a percentage of the face value of the life insurance policy. The longer the policy has been in effect, the larger a percentage of the face value is used to estimate the CSV. Table 1 highlights the formula SSA uses to estimate CSV.

Table 1: SSA's Chart for Estimating CSV¹

Years life insurance policy has been in effect	Estimated CSV is this percentage of face value . . .
20 or more	60
15-19	50
11-14	45
6-10	30
4-5	20
3	10
2	5
1	0

¹ SSA, POMS, SI 01130.300 D.4.b (November 14, 2013).

After an applicant is determined to be eligible and begins receiving SSI payments, SSA staff must verify the estimated CSV to determine whether a recipient continues to be eligible for SSI payments. For example, SSA staff should verify life insurance CSV when it completes redeterminations. Redeterminations are reviews of an SSI recipient's non-medical eligibility factors, such as income, resources, and living arrangements that SSA completes to ensure a recipient still meets eligibility requirements. Per policy, redeterminations should be scheduled annually if a change in non-medical eligibility factors is likely to occur or once every 6 years if a change is unlikely.² If staff is unable to obtain verification of the CSV, staff must document its efforts to obtain the recipient's life insurance policy and/or the CSV amount alleged by the recipient.

From all segments of the Supplemental Security Record, we identified 14,555 SSI recipients in current pay as of July 2016 who had 24,141 life insurance policies with face values of \$25,000 or more and CSVs that SSA had not verified for 5 years or longer. From this population, we reviewed a random sample of 250 recipients.

RESULTS OF REVIEW

SSA did not always accurately determine the CSVs of SSI recipients' life insurance policies. Of the 250 cases we reviewed, SSA should have verified the CSVs of 114.³

For 3 of the 114 recipients who required CSV verification, SSA had either scanned the sections of the life insurance policies that described how the CSVs increased or typed into its records a description of how the policies' CSVs increased over time. We determined the three recipients were not eligible for SSI payments because their CSVs took them over the allowable resource limit for SSI eligibility. SSA overpaid them \$11,010 from the time they should have been determined ineligible for SSI payments.⁴

² SSA POMS, SI 02305.010.A.1 (August 23, 2016).

³ Of the 250 randomly selected cases we reviewed, 114 had CSVs that SSA should have verified. The remaining 136 cases either did not need to be verified or meet our criteria after further review. For 58 of the 136 cases, the life insurance policy belonged to an individual other than the recipient and was a deemed resource to the recipient. The deeming relationship ended or should have never been established. In 17 cases, SSA's records contained the scanned policy or had remarks documenting that the recipient was under the resource limit. Six cases had an overpayment posted for excess resources or the recipient was in a non-pay status when he/she would have been ineligible because of excess resources. There were five cases where the CSV was verified after we obtained our data. Finally, we determined 50 cases did not meet our criteria after further review because 1 or more of the recipients' life insurance policies' CSV was set aside for burial expenses and therefore was excluded as a countable resource; the CSVs had been verified in the last 5 years but did not appear in our data or the policies were no longer recorded in SSA's systems.

⁴ The overpayments were calculated from the time the recipients should have been ineligible for excess resources to December 2016.

In the remaining 111 cases, SSA did not have copies of the life insurance policies or descriptions of how the CSVs increased over time. Using SSA's estimation formula, we determined all 111 recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs. Recipients cannot be determined ineligible based on estimated CSVs, but staff is required to determine the actual CSVs when the estimated CSVs suggest the recipients have excess resources.⁵ Had these recipients' actual CSVs equaled their estimated CSVs, they would have been over the resource limit and ineligible for SSI payments and would have been improperly paid about \$3.9 million.⁶ Because SSA did not verify the CSVs, these funds were at risk.

Projecting our results for the 114 cases to our population, we estimate about 6,600 recipients may have been improperly paid approximately \$229 million from the time their CSVs took their resources over the allowable limit for SSI eligibility.

While 111 of the recipients may have been over the resource limit based on estimated CSVs, we determined SSA's estimation policy likely overstated CSV. We reviewed 157 life insurance policies that described how their CSVs increased over time in SSA's records or showed the CSV of the recipients' policies when SSA recorded them.⁷ When comparing the actual CSVs as recorded in SSA's records to the estimated CSVs calculated using SSA's formula, we determined the estimated CSVs almost always overstated the actual CSVs.

⁵ SSA, POMS, SI 01130.300.D.4.c (November 14, 2013).

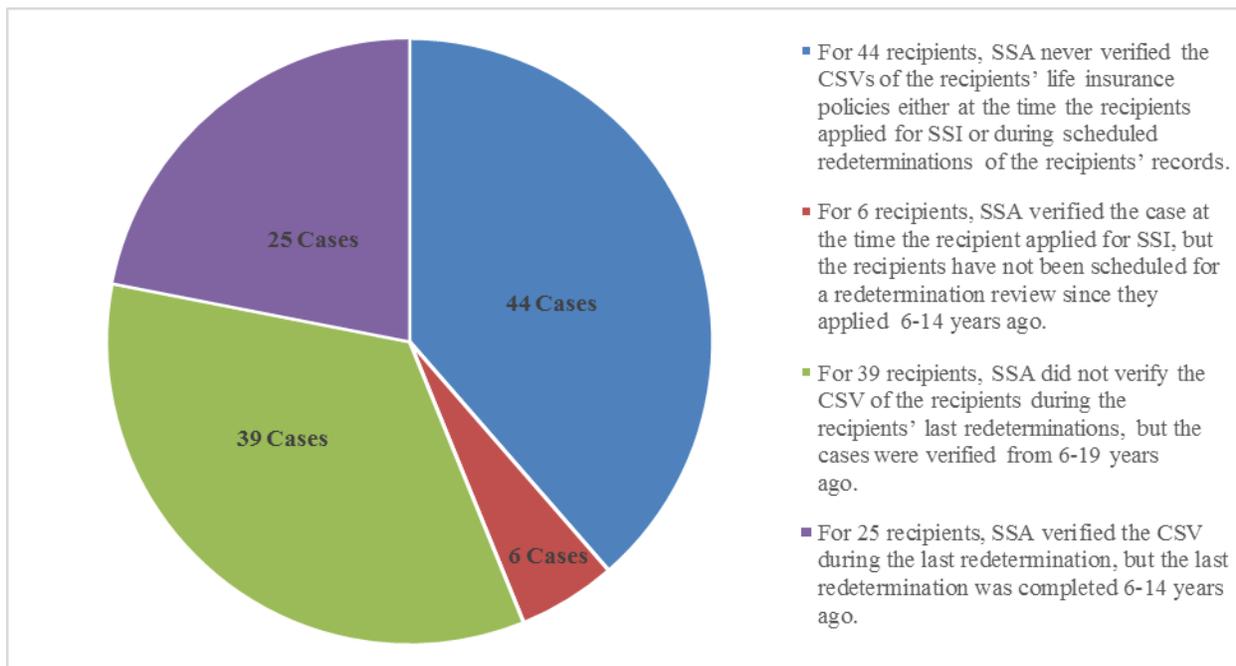
⁶ The overpayments were calculated from the time the recipients would have been ineligible because of excess resources based on the estimated CSVs through December 2016.

⁷ The 157 policies were either verified by SSA at a prior redetermination, during a pre-effectuation review contact, when the recipient applied for SSI, or when the recipient reported the life insurance policy as a resource. We compared the actual CSVs when they were verified to the estimated CSVs.

Verifying CSV

SSA should have verified the CSV of 114 of the 250 cases we reviewed.⁸ See Figure 1 for a discussion of the 114 cases.

Figure 1: 114 Cases Requiring CSV Verification



CSV Verification When the Resource Was First Reported

SSA had not verified 44 of the 114 cases with CSVs that should have been verified. Of the 44 recipients, 22 reported having life insurance policies with CSVs when they applied for SSI. While SSA recorded the policies in its records, it did not verify the CSVs when it approved the recipients for SSI payments. For the remaining 22 cases, SSA recorded the life insurance policy as a resource after the recipients began receiving SSI payments and the Agency never verified the CSV.

For the 44 cases, SSA's records did not contain information on the life insurance current CSV. Using SSA's CSV estimation methodology, we determined all 44 recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs. Based on the estimated CSVs, 13 of these recipients were over the SSI resource limit when they applied for SSI or first reported their life insurance policies as resources after they began receiving SSI

⁸ See Footnote 3.

payments. The remaining recipients became ineligible for SSI payments some time after they first reported their life insurance policies when the policies' estimated CSVs had increased.

CSV Verification during Redeterminations

A redetermination involves reviewing a recipient's non-medical eligibility factors—income, resources, and living arrangements—to determine whether he/she is still eligible for SSI and/or is still receiving the correct payment amount.⁹ Per SSA's policy, redeterminations should be scheduled annually if a change in non-medical eligibility factors is likely to occur or once every 6 years if a change is unlikely.¹⁰

In six cases, SSA verified the recipients' resources—including their life insurance CSVs—when they applied for SSI, but the Agency had not scheduled redeterminations since they applied 6 to 14 years earlier (see Table 2).

Table 2: Number of Years Without a Redetermination Since Applying for SSI

Number of Years Without a Redetermination	Number of Recipients
6	1
8	1
9	1
12	1
14	2
Total	6

For these six cases, SSA's records did not contain information on the life insurance CSVs after the date of application. Using SSA's CSV estimation methodology, we determined that all six recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs.

We also found that, in another 39 cases, SSA did not verify the recipients' life insurance CSV during their last redeterminations, but had verified them at some point in the past.¹¹ For these cases, it had been 6 to 19 years since SSA last verified the CSVs (see Table 3).

⁹ SSA, POMS, SI 02305.001.A (August 29, 2014).

¹⁰ SSA, POMS, SI 02305.010.A.2 (August 23, 2016).

¹¹ The 39 cases were last verified at a prior redetermination, during a pre-effectuation review contact, when the recipient applied for SSI, or when the recipient reported the life insurance policy as a resource.

Table 3: Number of Years Since SSA Verified CSVs

Number of Years Since Last Verification	Number of Recipients
6	10
7	6
8	2
9	3
10	2
11	1
12	4
13	4
14	1
15	4
17	1
19	1
Total	39

For 1 of the 39 cases, SSA’s records contained information on the recipient’s life insurance CSV. We determined the recipient was not eligible for SSI payments because the CSV was over the allowable SSI resource limit.

For the remaining 38 cases, SSA’s records did not contain information on the life insurance CSVs’ current value. Using SSA’s CSV estimation methodology, we determined that all 38 recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs.

Finally, in 25 cases, SSA verified the recipients’ life insurance CSVs during the last redeterminations. However, the last redeterminations were completed 6 to 14 years before (see Table 4).

Table 4: Number of Years Since SSA Verified CSVs

Number of Years Since Last Verification	Number of Recipients
6	6
7	2
8	5
9	2
10	2
11	3
13	3
14	2
Total	25

For 2 of the 25 cases, SSA’s records contained information on the recipient’s life insurance CSVs. We determined both recipients were ineligible for SSI payments because the CSVs were over the allowable SSI resource limit.

SSA’s records did not contain information on the life insurance CSVs for the remaining 23 cases. Using SSA’s CSV estimation methodology, we determined all 23 recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs.

Estimating CSV

SSA’s CSV estimation formula may overestimate CSV.¹² We identified 157 life insurance policies from our sample of 250 cases where SSA’s records included the CSV of the policies at a point in time.¹³ For some examples of these types of cases, see Table 5.

¹² In general, SSA verified the life insurance policies’ CSVs in the past and recorded the CSVs at the time they were verified. We estimated the CSVs for these policies using SSA’s formula and compared them to the verified CSVs in SSA’s system. For 32 of the policies, SSA’s records had descriptions of how their CSVs increased over time, or showed the CSV of the recipients’ policies at the time they were recorded by SSA. We determined that the estimated CSVs overstated the verified CSVs.

¹³ For 126 of the 157 policies, we used the verified CSVs from SSA’s Resource for Life Insurance screen in its Modernized Supplemental Security Income Claims System because the actual life insurance policies were not scanned into SSA’s systems. For the remaining 31 cases, the life insurance policies were scanned into SSA’s systems. For these cases, we used the CSVs as defined in the policies or remarks fields.

Table 5: Comparison of Verified and Estimated CSVs

Life Insurance Policy Face Value	Years Policy Was in Effect When SSA Verified the CSV	Verified CSV ¹⁴	Estimated CSV per SSA's Formula	Difference
\$24,375	24	\$2,760	\$14,625	(\$11,865)
\$25,000	10	\$205	\$7,500	(\$7,295)
\$25,000	5	\$14	\$5,000	(\$4,986)
\$50,000	15	\$6,648	\$30,000	(\$23,352)
\$50,000	20	\$1,453	\$30,000	(\$28,547)
\$50,000	13	\$11,319	\$22,500	(\$11,181)
\$50,000	2	\$506	\$2,500	(\$1,994)
\$50,000	16	\$277	\$14,261	(\$13,984)
\$100,000	3	\$0	\$10,000	(\$10,000)
\$500,000	17	\$134,501	\$250,000	(\$115,499)

For three policies, the verified CSVs exceeded the estimated CSVs. For all three cases, the life insurance policies were in effect 1 year or less. The estimated CSV for a policy owned for 1 year or less is \$0, and the three policies had CSV even though they were relatively new policies. See Table 6.

Table 6: Comparison of Verified and Estimated CSVs for Policies Less Than 1-Year Old

Life Insurance Policy Face Value	Years Policy Was in Effect When SSA Verified the CSV	Verified CSV	Estimated CSV per SSA's Formula	Difference
\$500,000	Less than 1 year	\$218	\$0	\$218
\$50,000	Less than 1 year	\$292	\$0	\$292
\$30,000	1	\$205	\$0	\$205

Finally, 33 of the life insurance policies' actual CSVs matched the estimated CSVs calculated using SSA's formula. In all of these cases, the life insurance policies were in effect for 1 year or less and the verified and estimated CSVs were both \$0.

¹⁴ For this table, the verified CSVs do not include any outstanding loan balances. A loan is a cash advance made by the life insurance company to a policy owner based on the available CSV of the life insurance policy. Loans reduce the policy's CSV.

CONCLUSIONS

SSA did not always accurately determine the CSVs of SSI recipients' life insurance policies. Of the 114 records we determined needed to be verified, SSA either never verified the CSVs of the recipients' life insurance policies or had not verified them in 6 or more years. SSA's primary control in place to verify CSVs is the redetermination, which should be scheduled annually if a change in non-medical eligibility factors is likely to occur or once every 6 years if a change is unlikely.

For 3 of the 114 recipients requiring CSV verification, SSA had either scanned the sections of the life insurance policies that described how the CSVs increased or typed a description of how the policies' CSVs increased over time into its records. We determined that none of the three recipients was eligible for SSI payments because their CSVs brought them over the allowable resource limit for SSI eligibility. Using SSA's estimation formula for the remaining 111 cases, we determined the recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs. Projecting these results to the larger population, we estimate about 6,600 recipients may have been improperly paid approximately \$229 million from the time their CSVs brought their resources over the allowable limit for SSI eligibility.

However, we question the accuracy of SSA's estimation policy. When we compared the actual CSVs where we could determine them to estimated CSVs using SSA's formula, the actual CSVs were almost always less than the estimated CSVs.

RECOMMENDATIONS

We recommend that SSA:

1. Redetermine the eligibility of the 114 SSI recipients we concluded may be over the resource limit because of their actual or estimated life insurance CSVs.
2. Based on the results of the review for the 114 recipients, determine whether additional life insurance policies in our population should be verified.
3. Review the effectiveness of its controls in place to ensure CSVs are verified timely.
4. Determine whether its CSV estimation formula provides a fair estimation of actual CSVs, and if it does not, develop a formula that does.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.

OTHER MATTERS

Other Government Agencies' Practices

When completing our work, we became aware that some means-tested government programs counted life insurance CSV as a resource while others did not. We have included our research on other government program practices in this section because it did not directly relate to our audit objective. However, we thought the information would be of interest to the Agency.

We spoke with staff and/or reviewed related policies or legislation from the Medicaid program, Medicare Part D Low Income Subsidy program, Supplemental Nutrition Assistance Program (SNAP), and Special Supplemental Nutrition Program for Women, Infants, and Children.

Both Medicaid and the Special Supplemental Nutrition Program for Women, Infants, and Children counted life insurance CSV as a resource when they determined eligibility.

- Medicaid provides health coverage to low-income individuals and SSI recipients. Medicaid required that income and resources be considered when determining program eligibility using the same methodologies used for SSI eligibility under sections 1612 and 1613 of the *Social Security Act*.¹⁵
- The Special Supplemental Nutrition Program for Women, Infants, and Children provides Federal grants to States for supplemental foods, health care referrals, and nutrition education. Staff from the program stated that CSV is considered a resource when CSV is withdrawn from a life insurance policy.

The Medicare Part D Low Income Subsidy program and SNAP did not count CSV as a resource when determining eligibility.

- Under the Medicare Part D Low Income Subsidy program, beneficiaries who need help with Medicare prescription drug costs can file for assistance with premiums, co-payments, and deductibles. Before January 2010, this program considered life insurance policies a resource if the policy's CSV was over \$1,500. As of passage of the *Medicare Improvements for Patients and Providers Act of 2008*,¹⁶ the program no longer counted CSV as a resource.¹⁷

¹⁵ *Social Security Act* § 1613(a)(16), 42 U.S.C. 1382b.

¹⁶ *Medicare Improvements for Patients and Providers Act of 2008*, Pub. L. No. 110-275, § 1860D, 122 Stat. 2494, p. 2507.

¹⁷ *Medicare Program; Revision to the Medicare Advantage and Prescription Drug Benefit Programs; Final Rule*, 73 Fed. Reg. 54,235 (Sept. 18, 2008).

- SNAP is a federally administered program that provides help for low-income households to buy the food needed for good health. Staff from SNAP stated that CSV is not taken into account for eligibility purposes.

A handwritten signature in black ink that reads "Rona Lawson". The signature is written in a cursive style with a large initial "R" and a long, sweeping underline.

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) Program Operations Manual System.
- Obtained a data extract of 14,555 Supplemental Security Income (SSI) recipients with 24,141 life insurance policies in current pay as of July 2016 with face values of \$25,000 or more and unverified cash surrender values (CSV). The 24,141 policies were owned by, or deemed as a resource for, the 14,555 SSI recipients.
- Selected a random sample of 250 recipients from our population.

To verify which of the 250 cases had life insurance policies with face values of \$25,000 and CSVs that were not verified that should have been, we took the following steps.

- Reviewed the recipients' Modernized Supplemental Security Income Claims System screens and Claims File Records Management System records to determine whether SSA records contained information on the CSVs of their life insurance policies.
- Determined whether SSA verified the CSV of the SSI recipients' life insurance policies when the resource was first reported to SSA.
- Determined whether SSA verified the CSV resource during scheduled redeterminations.
- Determined the actual CSVs of recipients' life insurance policies when SSA's records had the policy information needed to determine it. We also determined whether the actual CSVs made the SSI recipients ineligible because of excess resources.
- Determined the estimated CSVs of recipients' life insurance policies when SSA's records did not have the policy information needed to determine the actual CSVs. We also determined whether the estimated CSVs brought the SSI recipients over the allowable SSI resource limit.
- Determined the improper payments made after the recipients were over the resource limits because of the actual or estimated CSVs through December 2016.
- Compared verified CSVs for policies where SSA had recorded the CSVs at some point in the past to estimated CSVs using SSA's estimation formula.
- Contacted other government agencies to determine whether they counted CSVs as a countable resource when determining eligibility for several means-tested programs.

We also reviewed the 17 cases in our population where the face values of the recipients' life insurance policies were greater than or equal to \$1 million. From the 17 cases reviewed, we identified 1 recipient who was in current payment status even though his policies' estimated CSVs exceeded the SSA resource limit at the time of his SSI application. The recipient had been paid \$37,991 since that time. The other 16 recipients were not over the resource limit for various reasons, including that the policies belonged to an individual other than the recipient and was a deemed resource to the recipient but the deeming relationship had ended or should have never been established. We also identified cases that had overpayments posted for excess resources or the recipient was in a non-pay status during the period he/she would have been ineligible. Lastly, there were cases where the CSVs were verified after we obtained our data. Because we only found 1 erroneous case, we did not include a discussion of these 17 cases in the report. However, we shared our findings on this case with SSA for its review.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted our audit work in the New York Audit Division, New York, between October 2016 and February 2017. The entity audited was the Office of Operations under the Office of 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 conduct the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

From all segments of the Supplemental Security Record, we identified 14,555 Supplemental Security Income (SSI) recipients who had 24,141 life insurance policies with face values of \$25,000 or more and with cash surrender values (CSV) that were unverified by the Social Security Administration (SSA) for 5 years or longer. From this population, we randomly selected and reviewed a sample of 250 recipients.

Table B-1: Population and Sample Size

Description	Recipients
Population Size (identified from all segments of the Supplemental Security Record)	14,555
Sample Size	250

We determined that Agency staff did not always verify recipients' life insurance policies. Specifically, SSA staff did not verify the life insurance policies for 114 of the recipients we reviewed. For 3 of the 114 recipients requiring CSV verification, SSA had either scanned the sections of the life insurance policies that described how the CSVs increased or typed a description how the policies' CSVs increased over time into its records. We determined that all three recipients were ineligible for SSI payments because their CSVs brought them over the allowable resource limit for SSI eligibility. SSA overpaid them \$11,010 since the time they should have been determined ineligible for SSI payments.

For the remaining 111 cases SSA should have verified, it did not have copies of the life insurance policies or descriptions of how their CSVs increased over time in its records. Lacking the policies, we estimated the CSVs based on SSA's estimation methodology. Using SSA's formula, we determined that all 111 recipients were over the resource limit when their estimated CSVs were counted as resources.

Table B-2: Improper Payments

Description	Number of Unverified Life Insurance Policies with Errors	Improper Payment Amount
Sample Results (for all segment)	114	\$3,937,138
Point Estimate (for all segment)	6,637	\$229,220,153
Projection – Lower Limit	5,869	\$188,569,893
Projection – Upper Limit	7,416	\$269,870,413

*All projections are at a 90-percent confidence level.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: June 21, 2017 **Refer To:** S1J-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall/s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values” (A-02-16-21186)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “SUPPLEMENTAL SECURITY INCOME RECIPIENTS WHO HAVE LIFE INSURANCE POLICIES WITH CASH SURRENDER VALUES” (A-02-16-21186)

Thank you for the opportunity to comment on the draft report. There are currently more than eight million individuals receiving Supplemental Security Income (SSI) payments. We are committed to protecting taxpayer funds by ensuring SSI recipients receive accurate payments. We have controls in place to generate alerts if cash is withdrawn from a life insurance policy. Additionally, recent changes from the *Bipartisan Budget Act* have made obtaining copies of life insurance policies easier by allowing SSI recipients to verbally authorize us to obtain their personal information. Below are our responses to the recommendations.

Recommendation 1

Re-determine the eligibility of the 114 SSI recipients we concluded may be over the resource limit because of their actual or estimated life insurance CSVs.

Response

We agree.

Recommendation 2

Based on the results of the review for the 114 recipients, determine whether additional life insurance policies in our population should be verified.

Response

We agree.

Recommendation 3

Review the effectiveness of its controls in place to ensure CSVs are verified timely.

Response

We agree.

Recommendation 4

Determine whether its CSV estimation formula provides a fair estimation of actual CSVs, and if it does not, develop a formula that does.

Response

We agree.

MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

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