OIG Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Institutionalized Beneficiaries Who Have Earnings

A-02-17-50140 | August 2018

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: August 20, 2018 Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Institutionalized Beneficiaries Who Have Earnings (A-02-17-50140)

The attached final report presents the results of the Office of Audit's review. The objective was to determine the accuracy of earnings records that led to increased benefit payments to institutionalized Old-Age, Survivors and Disability Insurance beneficiaries.

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.

Gale Stallworth Stone

Gale Stallworth Stone

Attachment

Institutionalized Beneficiaries Who Have Earnings
A-02-17-50140

August 2018 **Office of Audit Report Summary**

Objective

To determine the accuracy of earnings records that led to increased benefit payments to institutionalized Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries.

Background

The Social Security Administration (SSA) is responsible for maintaining accurate individual earnings records, including wages and self-employment income. SSA uses the earnings information to calculate benefit amounts for all eligible beneficiaries.

At times, SSA updates beneficiaries' records with earnings they did not earn. Generally, unless a beneficiary recognizes the overstated earnings and disclaims them, the earnings will remain overstated in SSA's records, and SSA may pay the individual more benefits than he/she should receive. According to the *Social Security Act*, earnings records can be revised within 3 years, 3 months, and 15 days of the year in which wages were paid, with some exceptions.

We identified 6,653 beneficiaries who had earnings posted to their records for years after they began residing in institutions and had Primary Insurance Amount (PIA) increases because of the earnings. From this group, we reviewed 243 beneficiaries' records.

Findings

In 192 of the 243 cases we reviewed, earnings records that led to increased benefit payments to institutionalized OASDI beneficiaries were generally accurate. However, in 24 of the 243 cases, the beneficiaries or their representative payees reported the earnings did not belong to them. Because the earnings raised the beneficiaries' PIA, they received higher monthly benefit payments to which they were not entitled. Accordingly, the beneficiaries were improperly paid approximately $194,000. Projecting these results to our population, we estimate 247 beneficiaries were improperly paid approximately $887,000 because of erroneous earnings added to their records after they began residing in institutions.

SSA will be unable to revise the erroneous earnings records or reduce the related benefit increases for 12 of the 24 beneficiaries because of a statutory time limitation. Therefore, the Agency cannot collect over $168,000 of the $194,000 in improper payments. The Agency corrected 2 of the remaining 12 cases on its own accord, and we forwarded the other 10 cases during our audit so the Agency could correct them before the time limitations applied, which the Agency did.

Finally, while SSA has a control in place to help prevent erroneous earnings from being posted when beneficiaries previously reported erroneous earnings, five beneficiaries in our sample had erroneous earnings posted after they reported erroneous earnings in the past.

Recommendations

1. Determine whether there is value in reviewing the earnings records of the remaining institutionalized beneficiaries in our population.
2. Determine whether there is value in establishing a control to identify PIA increases caused by earnings added to the records of beneficiaries after they began residing in institutions.
3. Re-examine the controls to prevent the erroneous posting of earnings for individuals with previously removed or disclaimed earnings.

SSA agreed with our recommendations.

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ABBREVIATIONS

EIN	Employer Identification Number
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
PIA	Primary Insurance Amount
POMS	Program Operations Manual System
SSA	Social Security Administration
SSN	Social Security Number
SWED	Scrambled Wage Earnings Discrepancy
U.S.C	United States Code

Objective

The objective of our review was to determine the accuracy of earnings records that led to increased benefit payments to institutionalized Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries.

Background

Each year, employers and the Internal Revenue Service send information to the Social Security Administration (SSA) on the earnings of the U.S. working population. The Agency uses the earnings information to calculate benefit amounts for all eligible beneficiaries, including retired workers, spouses, widow(er)s, children, and the disabled.[1] SSA is responsible for maintaining accurate individual earnings records, including wages and self-employment income.[2] SSA is also responsible for correcting any errors in earnings posted to, or omitted from, its records.[3]

At times, erroneous earnings may be posted because of an employer reporting or internal SSA processing error. Also, individuals may use other individuals' Social Security numbers (SSN) to work with(out) the numberholders' knowledge, adding earnings the numberholders did not earn. Generally, unless beneficiaries recognize overstated earnings and disclaim them with SSA and/or the Internal Revenue Service, the earnings remain overstated in SSA's records. This may result in SSA paying individuals more benefits than they are entitled to receive.

According to the *Social Security Act*, earnings records can be revised within 3 years, 3 months, and 15 days after the year in which wages were paid or self-employment income was derived.[4] Once this time limitation expires, the earnings records and any benefit calculations based on those records are considered correct[5] and may be amended only for certain reasons.[6]

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[1] SSA, *POMS, RM-Records Maintenance*, ch. RM 011, subch. RM 01101.001, sec. A (May 5, 2016).

[2] *Social Security Act*, 42 U.S.C. § 405(c)(2)(A) (2018). See SSA, *POMS, RM-Records Maintenance*, ch. RM 038, subch. RM 03870.001, sec. A (October 1, 1998).

[3] *Social Security Act*, 42 U.S.C. § 405(c)(4) (2018).

[4] *Social Security Act*, 42 U.S.C. § 405(c)(1)(B) and (c)(4) (2018).

[5] SSA, *POMS, GN-General*, ch. GN 040, subch. GN 04040.030, sec. B.2 (December 22, 1989).

[6] *Social Security Act*, 42 U.S.C. § 405(c)(5) (2018); see also SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 022, subch. RS 02201.008 (October 21, 2011). SSA may revise the earnings records after the expiration of the time limitation under certain circumstances described in 42 U.S.C. § 405(c)(5).

SSA may recompute and increase a beneficiary's Primary Insurance Amount (PIA) one or more times after the first computation, which is made when the beneficiary becomes entitled to retirement or disability insurance benefits. SSA may give credit for any substantial additional covered earnings in the year a beneficiary became entitled to benefits or in a later year. A recomputation to include a particular year's earnings is effective in January following the year in which the earnings were paid. SSA uses the PIA to determine monthly benefit payment amounts.

From all segments of the Master Beneficiary Record, we identified 17,708 beneficiaries who had earnings posted to their records for years after they began residing in institutions other than jails or prisons.[7] Of these, 6,653 had PIA increases because of the earnings. From this group, we reviewed 243 beneficiaries' records—the 20 beneficiaries who had the highest earnings amounts, the 23 beneficiaries who were age 85 or older, and a random sample of 200 of the remaining 6,610 beneficiaries. We also contacted the beneficiaries, their representative payees, and/or the institutions where they resided to verify the earnings belonged to them.

RESULTS OF REVIEW

In 192 of the 243 case we reviewed, earnings records that led to increased benefit payments to institutionalized OASDI beneficiaries were generally accurate. The beneficiaries or their representative payees reported the earnings information was completely or nearly correct. However, in 24 of the 243 cases, the beneficiaries or their representative payees reported the earnings did not belong to them.

Because the earnings raised the beneficiaries' PIAs, they received higher monthly benefit payments than they were entitled to receive. The beneficiaries were improperly paid approximately $194,000.[8] Projecting our results to the population, we estimate 247 beneficiaries were improperly paid approximately $887,000 based on earnings they did not earn after they began residing in institutions.

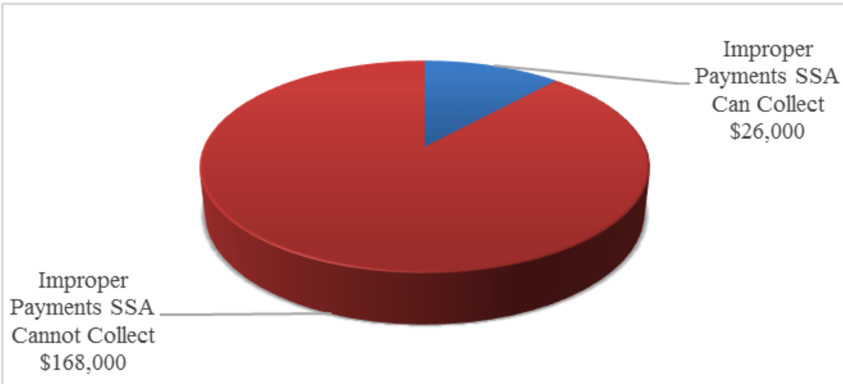
[7] This includes institutions funded and operated by a Federal entity (for example, a Department of Veterans Affairs hospital); institutions funded and operated by a State or local government (for example, State psychiatric institutions or county developmental centers for individuals who have an intellectual disability); for-profit institutions operated by individuals or corporations (for example, privately owned nursing homes or board and care homes); and not-for-profit, non-governmental institutions (for example, homes operated by religious organizations and charities).

[8] We identified improper payments caused by erroneous earnings in 23 of the 24 cases through March 2018—22 over- and 1 underpayment caused by an adjustment in the rounding of the beneficiary's own retirement and widow's benefits she received. In the remaining case, SSA took action to remove the earnings that did not belong to the beneficiary. We did not identify any improper payments because the earnings did not cause any benefit increase.

Also, 21 of the 24 beneficiaries would be improperly paid $34,000 over the next 12 months because of the PIA increase caused by earnings the beneficiaries did not earn.[9] Projecting our results to the population, we estimate SSA would improperly pay 245 beneficiaries approximately $107,000 in the next 12 months if the erroneous earnings and related PIA increases are not corrected.[10]

SSA is unable to revise the erroneous earnings records or reduce the related benefit increases for 12 of the 24 beneficiaries because of the time limit for earnings correction.[11] Therefore, SSA will be unable to collect over $168,000 of the $194,000 improper payments (see Figure 1).

Figure 1: Time Limit's Impact on the Collection of the Improper Payments



We referred the 12 cases with erroneous earnings that had not fully reached the correction time limit to SSA for review. SSA removed all the erroneous earnings on the beneficiaries' records in three cases. In seven cases, SSA removed some of the erroneous earnings we identified, but other erroneous earnings on the beneficiaries' records were beyond the time limit and could not be corrected. In two cases, SSA had corrected the beneficiaries' earnings records before we forwarded the cases.[12]

For the remaining 27 of the 243 cases, the beneficiaries could not verify the earnings because of their health conditions or we did not receive a response to our request to verify their earnings (see Table 1).

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[9] In 3 of the 24 cases, the beneficiaries would not be paid additional improper payments in the next year. In one case, the beneficiary died in January 2018. In the second case, as explained in Footnote 8, the erroneous earnings did not cause a benefit increase to the beneficiary. In the last case, the beneficiary would not receive additional improper payments in the next year because the beneficiary's own retirement and widow's benefits had been adjusted.

[10] Refer to Appendix B for additional information on our statistical estimates.

[11] In these 12 cases, we did not identify any exception to the time limitations for correcting the earnings records.

[12] However, SSA did not reduce the benefit increase caused by the erroneous earnings in one case until we notified it that the adjustment was needed. In the other case, it inaccurately determined the related overpayment amount. We notified the Agency of the inaccuracy, which it corrected.

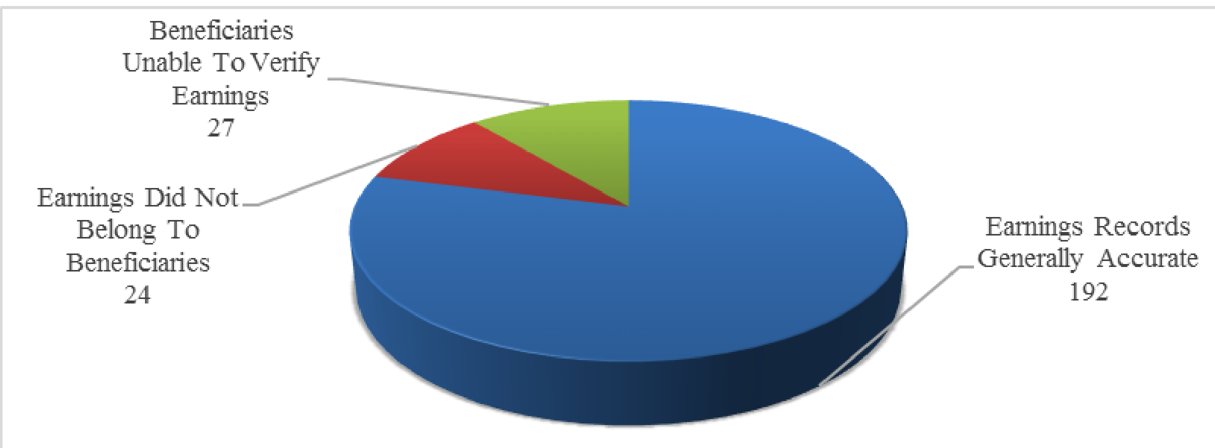
Table 1: Beneficiaries Who Were Unable to, or Did Not, Respond

Results	Total
Unable to respond because of health condition	15
Died after sample selection	9
Non-responders	3
Total	**27**

Earnings Accuracy

In 192 of the 243 case we reviewed, earnings records that led to increased benefit payments to institutionalized OASDI beneficiaries were generally accurate. However, in 24 of the 243 cases, the beneficiaries or their representative payees reported that over $2.2 million in earnings posted to their records after they were institutionalized did not belong to them.[13] For the remaining 27 cases, the beneficiaries were unable to verify the earnings because of their health conditions or we did not receive a response to our request to verify their earnings.

Figure 2: Earnings Accuracy



[13] Of these beneficiaries, 10 were from the 20 beneficiaries who had the highest earnings amounts, 7 were from the 23 beneficiaries who were age 85 or older, and 7 were from the random sample of 200.

Accurate Earnings

In 192 of the 243 cases we reviewed, earnings records that led to increased benefit payments to institutionalized OASDI beneficiaries were generally accurate (see Table 2).

Table 2: Accurate Earnings

Conclusion on Accuracy of Earnings	Number of Beneficiaries
Earnings were accurate per review of SSA records	81
Beneficiaries or their representatives verified the earnings records were wholly accurate	93
Beneficiaries or their representatives verified the earnings records were mostly accurate	18
Total	**192**

In 81 cases, we concluded the earnings belonged to the beneficiaries by reviewing SSA records.[14] In some cases, the information from the beneficiaries' earnings records matched the information from the monthly wages reported by the beneficiaries or their representative payees. In other cases, the records showed SSA had contacted the employers to verify the beneficiaries' earnings.

In 93 cases, the beneficiaries, their representative payees, and/or staff at the institutions where they resided confirmed the earnings posted to the beneficiaries' records were correct. Generally, these earnings were for small amounts. In some cases, the earnings were from workshops or vocational programs for work performed by beneficiaries with intellectual and developmental disabilities. In other cases, the earnings were disability payments from former employers.

In another 18 cases, beneficiaries or their representative payees reported the earnings records were nearly correct. The beneficiaries either stated they worked for the employers of record but disagreed with the amount of earnings or agreed with the earnings amount but disagreed that they worked for the employers of records.

[14] We did not contact the beneficiaries and/or their representative payee because we concluded the earnings belonged to the beneficiaries based on our review of SSA records.

Inaccurate Earnings

In 24 of the 243 cases we reviewed, the beneficiaries or their representative payees reported that earnings totaling over $2.2 million that were posted to their records after they were institutionalized did not belong to them.[15] Twelve of these beneficiaries and/or their representative payees reported that multiple years of earnings on their records did not belong to them.[16] The following are three examples.

- A beneficiary who resided in a California assisted-living facility had $113,000, $117,000, $118,000, and $118,000 in earnings posted to his records in 2013 through 2016, respectively. The beneficiary did not have earnings posted for 15 years before 2013, and he never had earnings of more than $29,000 posted in any year. The beneficiary stated the earnings from 2013 to 2016 did not belong to him. Because of these earnings, the beneficiary received over $10,000 in benefits to which he was not entitled. After we forwarded this case to SSA in March 2018, it removed the earnings posted for 2014 through 2016. However, SSA could not remove the 2013 earnings or reverse the benefit increase they caused because of the time limitation for earnings correction.[17] The beneficiary will receive an additional $1,116 in improper payment over the next 12 months.

- A beneficiary who resided in a Texas nursing home had earnings of $20,000, $34,000, $33,000, $39,000, $32,000 posted to his record in 2012 through 2016, respectively. According to his representative payee, the beneficiary had not worked since 1998. Because of these earnings, the beneficiary received over $5,100 in benefits to which he was not entitled. After we forwarded this case to SSA in February 2018, it removed the earnings posted for 2014 through 2016. However, SSA could not remove the 2012 and 2013 earnings, or reverse the benefit increase they caused, because of the time limitation for earnings correction.[18] The beneficiary will receive an additional $540 in improper payment over the next 12 months.

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[15] Of these beneficiaries, 10 were from the 20 beneficiaries who had the highest earnings amounts, 7 were from the 23 beneficiaries who were age 85 or older, and the remaining 7 were from the random sample of 200.

[16] In 1 of the 12 cases, we did not contact the beneficiary or her representative payee because SSA independently determined the earnings did not belong to the beneficiary after we began our audit.

[17] We did not find any exception that permits the correction of the earnings after the time limitation.

[18] We did not find any exception that permits the correction of the earnings after the time limitation.

- A beneficiary who resided in a nursing home in California had earnings of at least $20,000 posted to his record each year from 2004 through 2017. The earnings were reported from various companies in Arkansas, Louisiana, North Carolina, Wisconsin, and Washington. The nursing home stated the beneficiary had not worked since he was institutionalized in 2004. Because of these earnings, the beneficiary received over $35,000 in benefits to which he was not entitled. After we forwarded this case to SSA in February 2018, it removed the earnings from 2014 through 2017. However, SSA could not remove the earnings from 2004 through 2013, or reverse the benefit increase they caused, because of the time limitation for earnings correction.[19] The beneficiary will receive an additional $4,584 in improper payment over the next 12 months.

Higher Earnings Amounts

We reviewed 3 samples of beneficiaries who had earnings after they were institutionalized—20 beneficiaries who had the highest earnings amounts, 23 beneficiaries who were age 85 or older, and a random sample of 200 of the remaining 6,610 beneficiaries in our population. We found the beneficiaries with the highest earnings had the highest error rates. Of the 24 beneficiaries who reported earnings did not belong to them, 10 were from the sample with the highest earnings. Their erroneous earnings amounts ranged from $10,700 to $118,500 (see Table 3).

Table 3: Percent of Cases with Erroneous Earnings by Sample

Sample Characteristics	Sample Size	Cases with Erroneous Earnings	Percent
Beneficiaries who had the highest earnings amounts	20	10	50
Beneficiaries who were age 85 or older	23	7	30
Beneficiaries from the random sample	200	7	3.5

Time Limitation for Earnings Correction

In total, the 24 beneficiaries who had inaccurate earnings records received $194,000 in improper payments. For 12 of the 24 beneficiaries, the inaccurate records were beyond the time limit of 3 years, 3 months, and 15 days from the year in which the earnings were earned, after which the revision of earnings records is permitted only for certain reasons that did not apply.[20] Therefore,

[19] We did not find any exception that permits the correction of the earnings after the time limitation.

[20] *Social Security Act*, 42 U.S.C. § 405(c)(4) and (c)(5) (2018).

SSA cannot revise the inaccurate earnings records[21] or the increased benefit payments based on those earnings.

The time limit to correct some or all of the earnings records for the remaining 12 beneficiaries expired on April 15, 2018. To help the Agency take action within the time limitation, we forwarded it information on these cases while our audit work was ongoing.[22]

- In two cases, SSA corrected the earnings record based on its own review after we began our audit. In one case, the Agency did not reduce the benefit increase caused by the erroneous earnings; in the other, it did not properly determine the related overpayment.[23] SSA took necessary action on both cases after we informed it the actions were needed.
- In 10 cases, we informed the Agency of the erroneous earnings. SSA corrected the 10 beneficiaries' earnings records and adjusted 9 benefit payments that had been increased because of the inaccurate earnings records.[24] SSA determined eight of the nine beneficiaries were improperly paid over $17,000 because of increased benefit payment amounts caused by the erroneous earnings.[25]

Controls over Records with Previously Removed Earnings

SSA determines whether names and SSNs match before it credits employer-reported earnings amounts to individuals' records.[26] If SSA cannot validate an earnings report, it places the earnings information in a suspense file.[27] Per SSA staff, to further protect the integrity of earnings information, the Agency developed the Scrambled Wage Earnings Discrepancy (SWED) exception edit, which determines whether the individual previously disclaimed wages for the same name, SSN, and employer identification number (EIN).[28] If the process identifies a match, the wages reported are not automatically posted to the individual's earnings record.

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[21] We did not find any exception that permits the correction of these earnings after the time limitation.

[22] We forwarded the cases to SSA for immediate action on a flow basis in February and March 2018.

[23] SSA removed the erroneous earnings in December 2017. It also recovered some of the overpayment related to the erroneous earnings. However, there was a $762 balance when the beneficiary died that was not posted to his record.

[24] In the remaining case, the erroneous earnings did not cause an increase in benefit payments. Therefore, SSA did not have to adjust the beneficiary's payment.

[25] In one case, while the earnings caused an erroneous increase in benefit payments, it also caused an erroneous overpayment based on substantial gainful activity. The Agency removed the erroneous overpayment and determined there was no net overpayment.

[26] SSA, *POMS, RM-Records Maintenance,* ch. RM 011, subch. RM 01101.001, sec. A (May 5, 2016). SSA uses these earnings, along with self-employment income, to determine eligibility for, and the amount of, Social Security benefits for workers and their dependents.

[27] SSA, *POMS, RM-Records Maintenance,* ch. RM 038, subch. RM 03870.001, sec. B.3 (October 1, 1998).

[28] The Internal Revenue Service assigns EINs to identify business entities for tax reporting purposes.

Five of the 24 beneficiaries who reported earnings did not belong to them had erroneous earnings previously removed from their records. We forwarded the cases to SSA for its review; its responses are detailed below.

- SSA removed erroneous wages for a beneficiary from 2001 to 2009. However, SSA posted additional erroneous earnings to the beneficiary's record for 2011, 2013, 2015, and 2016. The Agency stated the SWED exception only identified earnings disclaimed in the same processing year or the year before or after the processing year. In this case, the gap between the disclaimed earnings and new earnings posted was longer than 1 year.

- SSA removed erroneous self-employment earnings from a beneficiary's record from 2001, 2002, 2003, 2005, and 2006. Because the SWED exception only identified erroneous wages reported by employers, it did not stop additional erroneous self-employment earnings for 2004 and 2007 from being posted.

- SSA removed erroneous wages for a beneficiary from 2008, 2010, and 2011. However, the Agency posted additional erroneous earnings to his record from 2012 to 2016 from a different EIN. The SWED edit did not stop these wages from being posted because it only excludes wages disclaimed by the beneficiary from the same EIN in the same or adjacent processing year.

- SSA removed a beneficiary's erroneous wages from 2013 and 2014. However, earnings from the same EIN were posted in 2015 and 2016. The Agency stated when it removed the 2013 and 2014 earnings, it placed a code in the earnings record to show that it used other secondary evidence as proof to remove the earnings. The SWED only stops additional wages from being posted in adjacent years when staff uses a different code to remove earnings from the previous year.

- SSA removed a beneficiary's erroneous wages in 2009. Erroneous earnings were again posted to his record from 2013 to 2016. The Agency stated the SWED edit did not exclude these earnings because they were posted from a different EIN. Additionally, the gap between the disclaimed earnings and new earnings posted was longer than 1 year.

CONCLUSIONS

The earnings records that led to increased benefit payments to institutionalized OASDI beneficiaries were mostly accurate. However, in 24 of the 243 cases we reviewed, the earnings did not belong to the beneficiaries. The earnings raised the beneficiaries' PIAs, which led to higher monthly benefit payments to which they were not entitled. We found the beneficiaries with the highest earnings and those who were age 85 or older had higher rates of errors. Projecting our results to the population of 6,653 beneficiaries, we estimate 247 beneficiaries were improperly paid approximately $887,000 because of erroneous earnings added to their records after they began residing in institutions.

RECOMMENDATIONS

We recommend that SSA:

1. Determine whether there is value in reviewing the earnings records of the remaining institutionalized beneficiaries in our population. SSA should consider whether a focused approach, such as focusing on older beneficiaries or beneficiaries with higher earnings amounts, would add value to any review it undertakes.

2. Determine whether there is value in establishing a control to identify PIA increases caused by earnings added to the records of beneficiaries after they began residing in institutions, especially those with higher earnings amounts or older beneficiaries. If such a change would add value, make the change.

3. Re-examine the controls to prevent the erroneous posting of earnings for individuals with previously removed or disclaimed earnings.

AGENCY COMMENTS

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

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed the applicable sections of the *Social Security Act* and Social Security Administration's (SSA) Program Operations Manual System.
- Reviewed prior Office of the Inspector General report on SSA's earnings records.
- Identified from all segments of the Master Beneficiary Record, 17,708 Old-Age, Survivors and Disability Insurance beneficiaries who began residing in institutions other than jails or prisons in 2014 or earlier and had earnings posted to their records for years after they began residing in institutions. Of these, 6,653 had Primary Insurance Amount increases because of the earnings.
- From the 6,653 beneficiaries, we reviewed the records of 243 beneficiaries – the 20 beneficiaries who had the highest earnings amounts, the 23 beneficiaries who were 85 years old or older, and a random sample of 200 of the remaining 6,610 beneficiaries.

To determine whether the earnings belonged to the beneficiaries, we took the following steps.

- Reviewed SSA records to determine whether the information corroborated with the beneficiaries' earnings records.
- Mailed up to three letters to the beneficiaries or their representative payees regarding our review.
- Contacted the beneficiaries or their representative payees to verify the earnings belonged to them.
- Determined the improper payments through March 2018 the beneficiaries received based on earnings that did not belong to them.

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 November 2017 and April 2018. 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 Master Beneficiary Record, we identified 17,708 Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries who had earnings posted to their records for years after they began residing in institutions other than jails or prisons. Of these, 6,653 had Primary Insurance Amount (PIA) increases because of the earnings. From this group, we reviewed the records of 243 beneficiaries—the 20 beneficiaries who had the highest earnings amounts, the 23 beneficiaries who were age 85 or older, and a random sample of 200 of the remaining 6,610 beneficiaries.

Table B–1: Population and Sample Size

Sample	Characteristics	Population	Sample Size
1	Beneficiaries who had the highest earnings amounts posted to their records for years after they began residing in institutions	20	20
2	Beneficiaries who were 85-years-old or older	23	23
3	Beneficiaries who had earnings posted to their records for years after they began residing in institutions and had PIA increases	6,610	200

We determined the earnings records that led to increased benefit payments to institutionalized OASDI beneficiaries were not always accurate.

Of the 200 beneficiaries in our random sample, the earnings did not belong to the beneficiaries in 7 cases, which resulted in $21,603 in improper payments. Projecting our results to the population, we estimate that, in 231 cases, earnings posted to the beneficiaries' records after they began residing in institutions did not belong to the beneficiaries, which resulted in improper payments of about $713,979.

Table B–2 provides details of our sample results of the 200 beneficiaries in our random sample.

Table B–2: Sample Estimates

Results for All Segments of the Master Beneficiary Record of the Sampled Population	Number of Cases in Which the Earnings Did Not Belong to the Beneficiaries	Improper Payment Amount
Total Sample Results	7	$21,603
Total Point Estimates	231	$713,979
Total Projection – Lower Limit	111	$153,786
Total Projection – Upper Limit	424	$1,274,173

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

Of the 20 beneficiaries who had the highest earnings amounts posted to their records for years after they began residing in institutions, the earnings did not belong to 10 beneficiaries, and 9 of the 10[1] beneficiaries received $114,605 in improper payments.[2] Of the 23 beneficiaries who were 85-years-old or older, the earnings did not belong to 7 beneficiaries, which resulted in improper payments of $58,253.

Adding the $713,979 projected improper payment amount to the $114,605 improper payment amount from the 9 beneficiaries who had the highest earnings amounts posted to their records, and the $58,253 improper payment amount from the 7 beneficiaries who were age 85 or older, we estimate that 247 beneficiaries were improperly paid $886,837.

Estimate of Future Improper Payments

Of the 200 beneficiaries in our random sample, 7 beneficiaries reported the earnings did not belong to them. The beneficiaries received $190 more in benefits a month, or $2,280 a year, than they should have because of the erroneous earnings.

Projecting our results to the population, we estimate that, in 231 cases, earnings posted to the beneficiaries' records after they began residing in institutions did not belong to the beneficiaries, which resulted in future improper payments of about $75,354 (see Table B–3).

Table B–3: Sample Estimate of Future Improper Payments

Results for All Segments of the Master Beneficiary Record of the Sampled Population	Number of Cases in Which the Earnings Did Not Belong to the Beneficiaries	Improper Payment Amount
Total Sample Results	7	$2,280
Total Point Estimates	231	$75,354
Total Projection – Lower Limit	111	$15,549
Total Projection – Upper Limit	424	$135,159

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

[1] In one case, we did not identify any improper payments because the earnings did not cause a benefit increase.

[2] In one of the nine cases, SSA removed the erroneous earnings in December 2017. SSA recovered some of the overpayment due to the erroneous earnings. However, there was a $762 balance when the beneficiary died.

Additionally, 8 of the 10 in our sample of beneficiaries with the highest earnings amounts posted to their records for years after they began residing in institutions would receive improper payments of $25,620 in the next 12 months because of erroneous earnings posted to their records.[3] Similarly, six of the seven in our sample of beneficiaries who were 85-years-old or older would receive improper payments of $6,768 in the next 12 months because of erroneous earnings posted to their records.[4]

Adding the $75,354 projected improper payment amount from our random sample, the $25,620 improper payment amount for the 8 beneficiaries who had the highest earnings amounts posted to their records, and the $6,768 improper payment amount for the 6 beneficiaries who were age 85 or older expect, we estimate that SSA would improperly pay 245 beneficiaries approximately $107,742 in the next 12 months if the erroneous earnings and related PIA increases were not corrected.

[3] In 1 of the 10 cases, the beneficiary died in January 2018. In the other case, the erroneous earnings did not cause a benefit increase in 2018.

[4] In one of the seven cases, we do not expect the beneficiary to receive additional improper payments in 2018.

Appendix C – AGENCY COMMENTS

SOCIAL SECURITY

MEMORANDUM

Date: August 10, 2018 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

Stephanie Hall

From: Stephanie Hall
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Institutionalized Beneficiaries Who Have Earnings" (A-02-17-50140) -- 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 Trae Sommer at (410) 965-9102.

Attachment

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, "INSTITUTIONALIZED BENEFICIARIES WHO HAVE EARNINGS"

(A-02-17-50140)

GENERAL COMMENTS

We strive to maintain accurate individual earnings records for everyone, including records of wages and self-employment income of institutionalized Old-Age, Survivors, and Disability Insurance beneficiaries. We receive earnings information from various sources, and this information has the potential to affect benefit amounts. We generally rely on beneficiaries or their payees to inform us if earnings information added to their record is erroneous. However, we will continue to refine and improve our processes through system enhancements to maintain better accuracy of earnings records for our recipients and prevent benefit discrepancies.

Recommendation 1

Determine whether there is value in reviewing the earnings records of the remaining institutionalized beneficiaries in our population. SSA should consider whether a focused approach, such as focusing on older beneficiaries or beneficiaries with higher earnings amounts, would add value to any review it undertakes.

Response

We agree.

Recommendation 2

Determine whether there is value in establishing a control to identify Primary Insurance Amount increases caused by earnings added to the records of beneficiaries after they began residing in institutions, especially those with higher earnings amounts or older beneficiaries. If such a change would add value, make the change.

Response

We agree.

Recommendation 3

Re-examine the controls to prevent the erroneous posting of earnings for individuals with previously removed or disclaimed earnings.

Response

We agree.

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