



Office *of the* Inspector General
SOCIAL SECURITY ADMINISTRATION

Audit Report

Supplemental Security Income
Underpayments Due Deceased
Recipients

A-06-18-50608 | September 2019

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: September 10, 2019

Refer To:

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Underpayments Due Deceased Recipients (A-06-18-50608)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether Supplemental Security Income underpayments due recipients who had been deceased for longer than 24 months were payable.

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.



Gail S. Ennis

Attachment

Supplemental Security Income Underpayments Due Deceased Recipients

A-06-18-50608



September 2019

Office of Audit Report Summary

Objective

To determine whether Supplemental Security Income (SSI) underpayments due recipients who had been deceased for longer than 24 months were payable.

Background

SSI recipients are responsible for reporting any changes in medical or non-medical events that may affect their SSI payments. Changes in these events may lead to an underpayment—any benefit amount due a person that SSA has not paid.

When an SSI recipient dies, he/she is no longer eligible for SSI payments, and any underpayments due are not payable to the recipient's estate. However, SSA can pay underpayments to certain SSI ineligible spouses or parents who meet specific requirements and request payment within 24 months of the recipient's death.

Spouses who were part of SSI-eligible couples in the month of the recipients' death are excluded from the 24-month application deadline for receiving SSI underpayments due deceased recipients. Since there is no application limit for these spouses, they remain eligible to receive the underpayments until they die.

Findings

We identified approximately \$541 million in SSI underpayments due 866,079 recipients who had been deceased for longer than 24 months. We estimate, as of March 2019, approximately \$746,000 was potentially payable to 1,141 surviving SSI-eligible spouses. The remaining \$540 million (99.8 percent) in underpayments was not payable to SSI-eligible spouses and should be removed from SSA records.

- Approximately \$525 million in underpayments was not payable because the recipients did not have SSI-eligible spouses.
- Approximately \$15 million in underpayments due recipients with SSI-eligible spouses was not payable because the SSI-eligible spouses were also deceased or the spouses were not eligible for SSI in the month of the recipients' death.

These underpayments remained in SSA records because SSA does not differentiate SSI underpayments due deceased recipients with SSI-eligible spouses from underpayments due deceased recipients without SSI-eligible spouses. As a result, SSA retains underpayments due all deceased recipients indefinitely. Retaining underpayments that are not payable shows a liability when, in fact, none exists. Removing invalid underpayments eliminates the risk the underpayments could be erroneously or fraudulently disbursed.

Recommendations

We recommend SSA:

1. Attempt to locate the surviving SSI-eligible spouses and issue any underpayments they are due.
2. Remove any of the approximately \$540 million in remaining underpayments that are not payable.
3. Establish a process to timely remove from deceased recipients' records any SSI underpayments that are not payable.

SSA agreed with our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

OBJECTIVE

Our objective was to determine whether Supplemental Security Income (SSI) underpayments due recipients who had been deceased for longer than 24 months were payable.

BACKGROUND

The Social Security Administration (SSA) administers the SSI program,¹ which provides monthly payments to individuals with limited income and resources who are age 65 or older, blind, or disabled. Because SSI is a means-tested program, individuals must have income and resources below specified levels to be eligible for payments.

SSI recipients must report any changes in medical or non-medical (income, resources, or living arrangements) events that may affect their SSI payments.² These changes may lead to an underpayment—any monthly payment or portion of a monthly payment due a person that SSA has not paid.³ In general, SSA must issue payments to recipients for the full amount of any underpayments that are less than three times the SSI monthly Federal benefit rate. SSA pays underpayments that are three or more times the SSI monthly Federal benefit rate in no more than three installments made at 6-month intervals.⁴

When an SSI recipient dies, he/she is no longer eligible for SSI payments. Underpayments due SSI recipients when they die are not payable to the recipients' estates. However, SSA can pay underpayments to surviving spouses or parents who meet specific requirements and apply for payment within 24 months of the recipient's death.⁵ A surviving spouse, who is a member of an SSI-eligible couple⁶ in the month the recipient dies, is excluded from the 24-month application deadline⁷ and remains eligible to receive the underpayments until death. See Appendix A for our audit scope and methodology.

¹ *Social Security Act*, 42 U.S.C. § 1381 (govinfo.gov 2018).

² 20 C.F.R. § 416.708 (govinfo.gov2018).

³ SSA, *POMS*, GN 02301.001 (September 14, 2017).

⁴ SSA, *POMS*, SI 02101.002 A.4 (January 5, 2015). The Calendar Year 2019 individual monthly Federal benefit rate is \$771. Therefore, underpayments under \$2,313 are payable in one payment.

⁵ SSA, *POMS*, SI 02101.003 A.3 (August 26, 2013).

⁶ SSA, *POMS*, SI 00501.154 A.1 (August 18, 2011). To be considered an SSI-eligible couple, both individuals must (1) be eligible for SSI payments, (2) be married to each other, and (3) live in the same household.

⁷ SSA, *POMS*, SI 02101.003 A.1 (August 26, 2013).

RESULTS OF REVIEW

We identified approximately \$541 million⁸ in SSI underpayments due 866,079 recipients who had been deceased for longer than 24 months. We estimate, as of March 2019, approximately \$746,000 was potentially payable to 1,141 surviving SSI-eligible spouses. The remaining \$540 million (99.8 percent) in underpayments was not payable to surviving SSI-eligible spouses and should be removed from SSA records.⁹

- \$525 million due 839,598 recipients was not payable because the recipients did not have SSI-eligible spouses.
- \$14 million due 23,764 recipients with SSI-eligible spouses was not payable because the SSI-eligible spouses were also deceased.
- \$1 million due surviving SSI-eligible spouses was not payable because the surviving SSI-eligible spouses were not entitled to receive SSI in the month of the recipients' death.

Retaining underpayments that are not payable shows a liability on SSA's records when, in fact, none exists. Also, removing invalid underpayments eliminates the risk the underpayments could be erroneously or fraudulently disbursed.

Deceased Recipients Without SSI-eligible Spouses

We analyzed underpayments due the 866,079 recipients who had been deceased for longer than 24 months and determined 839,598 (97 percent) had no SSI-eligible spouses. The \$525 million in underpayments due these 839,598 deceased recipients are not payable and should be removed from SSA records.

These underpayments remained in SSA records because SSA does not differentiate SSI underpayments due deceased recipients *with* SSI-eligible spouses from underpayments due deceased recipients *without* SSI-eligible spouses. As a result, SSA retains underpayments due

⁸ We obtained these data in April 2018 and excluded underpayments under \$1. Per SSA, *POMS*, SI 02101.001 C.2 (February 26, 2016), SSA does not pay underpayments under \$1.

⁹ Approximately 5,000 deceased recipients had \$7.6 million in underpayments some or all of which may be payable to claimant representatives or states for unpaid fees or interim assistance reimbursements. Under specific circumstances, representative fees may be payable in situations where an SSI claimant died before SSA issued a favorable determination or decision. In cases where another party (for example, a survivor or State) is eligible to receive all or part of the underpayment, SSA processes the representative's fee if the determination or decision resulted in past-due benefits and pays the fee from the resulting underpayment. SSA, *POMS*, GN 03940.009 A.1 (February 2, 2017). SSA is also required to reimburse States that provided interim assistance payments to recipients pending SSA's SSI eligibility determinations or to recipients whose SSI payments it suspended or terminated and subsequently reinstated. SSA, *POMS*, SI 02003.001 A. (November 19, 2010). We did not determine why SSA had not previously used underpayments on these records to satisfy unpaid fees and reimbursements. SSA will have to review these cases to identify any underpayment amounts that should be paid to representatives or States before removing the remaining underpayment balances.

all deceased recipients indefinitely. Had SSA identified the cases without SSI-eligible spouses, it could have removed 97 percent of these underpayments. Underpayments in SSA records that are not payable to recipients provide an opportunity for fraud, waste, or abuse. Prompt removal of underpayments that are not payable eliminates the possibility that funds can be erroneously or fraudulently disbursed.

Deceased Recipients with SSI-eligible Spouses on the Record

SSA payment records included approximately \$16 million in SSI underpayments due 26,481 deceased recipients who had SSI-eligible spouses on their payment records. We estimate, as of March 2019, approximately \$15 million in underpayments was not payable and should be removed from SSA records.

- SSI-eligible spouses for 23,764 deceased recipients due approximately \$14 million in underpayments, were also deceased as of March 2019.¹⁰ As a result, these underpayments were not payable.
- SSI-eligible spouses for 2,717 deceased recipients due approximately \$1.8 million in underpayments were alive as of March 2019.¹¹ From this population, we reviewed 50 randomly selected cases and determined
 - In 29 cases (58 percent) surviving spouses were not eligible for SSI *in the month of the recipient's death*. Based on our sample results, we estimate approximately \$1 million of these underpayments was not payable.
 - In 21 cases (42 percent) surviving spouses were eligible for SSI in the month of the recipient's death. Based on our sample results, we estimate the approximately \$746,000 in underpayments was potentially payable to 1,141 surviving, SSI-eligible spouses. (See Appendix B for our sampling methodology and results.) Our review of these cases also determined the following.
 - Available records did not indicate SSA had attempted to contact or pay surviving spouses in 16 cases.
 - SSA could not locate surviving spouses in three cases.
 - SSA issued underpayments to surviving spouses using bank account information in its payment records in two cases; however, the Department of the Treasury returned the payments to SSA.

¹⁰ SSA's Numident file, which stores personally identifiable information for all Social Security numberholders, indicated that 19,272 spouses died *before* the SSI recipients died who were underpaid \$11.8 million, and 4,492 spouses died *after* the SSI recipients died who were underpaid \$2.5 million.

¹¹ As of March 2019, the spouses did not have death information on the Numident.

When a surviving SSI-eligible spouse is in current payment status when SSA receives the SSI recipient's death information, SSA systems generally issue the underpayment to the spouse. If the spouse is not in current payment status or his/her whereabouts are unknown, SSA should attempt to locate and pay the spouse.¹² We did not determine why SSA had not located and paid approximately \$746,000 in underpayments to the surviving SSI-eligible spouses. Removing the other \$15 million in underpayments from SSA records would eliminate the appearance of a liability when, in fact, none exists.

Underpayments on SSA Financial Statements

SSA prepares and presents its financial statements to be consistent with the requirements of the Federal Accounting Standards Advisory Board; Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements*; and the *Chief Financial Officers Act*. Circular No. A-136, requires that agencies apply Statements of Federal Financial Accounting Standards in preparing financial statements. Standard Number 1 states a liability is a “. . . probable and measurable future outflow of resources arising from past transactions or events.”¹³

The SSI underpayments described in this report were measurable and arose as a result of past transactions. However, approximately \$540 million of the \$541 million in underpayments we identified are not probable outflows of resources because the underpayments are no longer, or were never, payable to eligible survivors. As such, the underpayments are not legitimate liabilities and should not be reported in SSA's financial statements. Instead of removing these liabilities from its records, SSA makes an adjusting entry to reduce total underpayments by the estimated value of underpayments on payment records terminated because of the recipients' death.

If SSA removes underpayments that are no longer payable, there would be no need to make adjusting entries for financial statement reporting. Instead, SSA records would accurately reflect amounts payable to recipients and survivors.

CONCLUSIONS

We identified approximately \$541 million in SSI underpayments due 866,079 recipients who had been deceased for longer than 24 months. We estimate, as of March 2019, approximately \$746,000 was potentially payable to 1,141 surviving SSI-eligible spouses. The remaining \$540 million in underpayments was not payable to a surviving SSI-eligible spouse and should be removed from SSA records. Retaining underpayments that are not payable shows a liability when, in fact, none exists. Also, removing invalid underpayments eliminates the risk the underpayments could be erroneously or fraudulently disbursed.

¹² SSA, *POMS*, SI 02301.240 C (July 16, 2008).

¹³ Financial Accounting Standards Advisory Board, *Statement of Federal Financial Accounting Standards 1: Accounting for Selected Assets and Liabilities*, p. 19 (June 2018).

We provided SSA with a data file that identified the deceased recipients with underpayments that are not payable and should be removed from SSA records. The data file also identified the 2,717 deceased recipients with surviving SSI-eligible spouses who are potentially due underpayments.

RECOMMENDATIONS

We recommend SSA:

1. Attempt to locate the surviving SSI-eligible spouses and issue any underpayments they are due.
2. Remove any of the approximately \$540 million in remaining underpayments that are not payable.
3. Establish a process to timely remove from deceased recipients' records any SSI underpayments that are not payable.

AGENCY COMMENTS

SSA agreed with our recommendations. The full text of SSA's comments is included in Appendix C.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal law including sections of the *Social Security Act* and Social Security Administration (SSA) regulations, policies, and procedures.
- Gained an understanding of how the Modernized Overpayment and Underpayment System processed underpayments.
- Discussed the underpayment process with SSA employees.
- Identified 866,079 recipients who had been deceased for longer than 24 months and had \$541,106,906¹ in underpayments on their current Supplemental Security Record (SSR).²
 - Randomly selected and reviewed 50 underpayments and determined that
 - none of the recipients' SSRs listed any potentially SSI-eligible spouses,
 - dates of death on all 50 recipients' SSRs were also on the recipients' Numident records, and
 - SSA had terminated all 50 recipients' SSRs.
 - 839,598 recipients, with underpayments totaling \$525,056,992, did not have SSI-eligible spouses on their payment records.
 - 26,481 recipients, with underpayments totaling \$16,049,914, had SSI-eligible spouses on their payment records. We matched the SSNs of SSI-eligible spouses against SSA's full file of death information and determined
 - 23,764 SSI-eligible spouses, potentially due \$14,273,227 in underpayments, were also deceased.
 - 2,717 SSI-eligible spouses, potentially due \$1,776,687 in underpayment, did not have death information in the Numident. We randomly selected and reviewed 50 underpayments and determined whether the spouse was eligible for SSI in the month of the recipient's death. If so, we determined whether available records indicated that SSA had attempted to contact or pay the spouse. See Appendix B for our sampling methodology and results.

¹ We excluded underpayments of less than \$1 from our review, since SSA does not pay underpayments under \$1.

² We did not review the accuracy of the underpayment computations.

- 5,026 recipients with underpayments totaling \$7,623,183, had underpayment verification codes on their payment records indicating unpaid representative fees or interim assistance reimbursements.
 - 4,669 recipients due \$5,987,596 in underpayments had unpaid representative fees.
 - 357 recipients due \$1,635,587 in underpayments had unpaid interim assistance reimbursements.
- Reviewed our April 1998 report, *Supplemental Security Income Underpayments Due Deceased Recipients*. We determined SSA records, as of March 1997, included at least 186,094 Supplemental Security Income (SSI) underpayments, with an estimated value of \$72,366,374, that were no longer payable to any survivors and could be removed from SSA records. We recommended that SSA correct (remove) these underpayments. SSA agreed with the recommendation.
- Identified dates of death for the 839,598 recipients who did not have SSI-eligible spouses on their payment records and the 23,764 recipients with SSI-eligible spouses who were also deceased. SSA records for 268,891 of these recipients, due approximately \$96 million in underpayments, contained dates of death before April 1997 (the date the data was obtained for the prior audit). The continued existence of these underpayments in Calendar Year 2019 indicates SSA did not remove the underpayments identified during our 1998 audit.

We conducted our audit from September 2018 to July 2019 in Dallas, Texas. We determined the data used for this audit were sufficiently reliable to meet our audit objectives. The entities audited were the Offices of the Deputy Commissioners for Operations and Retirement and Disability Policy. 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

Social Security Administration (SSA) payment records included \$1,776,687 in Supplemental Security Income (SSI) underpayments due 2,717 recipients who had been deceased longer than 24 months and had SSI-eligible spouses listed on their payment records who were alive as of March 2019.¹ We randomly selected 50 cases and reviewed each to determine whether the spouse was SSI-eligible in the month of the recipient’s death. If so, we also determined whether evidence existed to indicate SSA had attempted to contact and/or pay the spouses.

Table B–1: Sample Results – Estimate of Underpayments Payable to Surviving SSI-eligible Spouses

Description	Amounts
Number of Underpayments in Population	2,717
Value of Underpayments in Population	\$1,776,687
Sample Size	50
Sample Cases Where Spouse Was Not SSI-eligible in Recipient’s Month of Death	29
Rate	58%
Proportional Estimate of Cases in the Population (58% * 2,717)	1,576
Proportional Estimate of Underpayments Not Payable (58% * \$1,776,687)	\$1,030,478
Sample Cases Where Spouse Was SSI-eligible in Recipient’s Month of Death	21
Rate	42%
Proportional Estimate of Cases in the Population (42% * 2,717)	1,141
Proportional Estimate of Underpayments Payable (42% * \$1,776,687)	\$746,209

In 29 cases (58 percent), the surviving spouse was not eligible for SSI in the month of the recipient’s death. Based on the sample results, we estimate approximately \$1 million of the underpayments are not payable. In the other 21 cases (42 percent), surviving spouses were eligible for SSI in the month of the recipient’s death. Based on the sample results, we estimate approximately \$746,000 of the underpayments are potentially payable to 1,141 spouses.

¹ The spouses did not have death information on the Numident as of March 2019.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: September 5, 2019

Refer To: S1J-3

To: Gail S. Ennis
Inspector General

Stephanie Hall

From: Stephanie Hall
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report "Supplemental Security Income Underpayments Due Deceased Recipients" (A-06-18-50608) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations and will take action to resolve the outstanding underpayments identified in this audit. The findings of the draft report will also help us further reduce opportunities for potential fraud. We have provided technical comments at the staff level.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

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