

OIG

Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Spouses Eligible for Higher  
Retirement Benefits

*A-09-12-21292 / March 2014*

**MEMORANDUM**

**Date:** March 11, 2014

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Spouses Eligible for Higher Retirement Benefits (A-09-12-21292)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration had adequate controls to identify and notify spousal beneficiaries who may have been eligible for higher retirement benefits based on their own earnings.

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



Patrick P. O'Carroll, Jr.

Attachment

# Spouses Eligible for Higher Retirement Benefits

## A-09-12-21292



March 2014

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) had adequate controls to identify and notify spousal beneficiaries who may have been eligible for higher retirement benefits based on their own earnings.

### Background

Individuals receiving spousal benefits may have sufficient earnings to be eligible for higher retirement benefits based on their own earnings. Their retirement benefits may be further increased for any month in which they did not receive a monthly benefit after full retirement age (FRA).

Individuals who file an application for reduced retirement or spousal benefits must also file for the other benefit if they are eligible for both benefits in their first month of entitlement. This requirement is referred to as the deemed filing provision. If SSA subsequently becomes aware that a spouse receiving reduced benefits was eligible for retirement benefits when he/she filed, it must establish entitlement to retirement benefits beginning with the first month of entitlement to reduced spousal benefits.

In a 2008 audit, we found that spouses did not always receive the higher retirement benefits due them. We estimated that 13,580 spouses were eligible for \$123.7 million in higher retirement benefits after they attained age 70.

### Our Findings

SSA has not taken action to notify spousal beneficiaries of their eligibility to receive higher retirement benefits. Based on our random sample, we estimate that 26,033 spouses were eligible for about \$195.3 million in higher retirement benefits.

This occurred because SSA did not (1) identify and notify spouses when they became eligible for higher retirement benefits at age 70 or older and (2) apply the deemed filing provision or was unaware of the spouses' eligibility for retirement benefits when they applied for spousal benefits.

Although SSA sends notices to widow(er)s who may be eligible for higher retirement benefits at FRA and age 70, it does not provide notices to spouses who may be eligible for higher retirement benefits based on their own earnings.

In response to our 2008 audit, SSA formed a workgroup, identified a population of 18,768 spouses eligible for higher retirement benefits, and developed a notification letter. However, according to SSA, it did not take further action because of limited resources.

### Our Recommendations

We recommend that SSA:

1. Identify and notify spousal beneficiaries of their eligibility to receive higher retirement benefits at age 70.
2. Evaluate the feasibility of automating benefit increases for spouses eligible for higher retirement benefits at age 70.
3. Remind employees to (1) apply the deemed filing provision when individuals apply for reduced retirement or spousal benefits and are eligible for both benefits in their first month of entitlement and (2) review and develop lag earnings for spousal beneficiaries if eligibility for retirement benefits is dependent upon those earnings.

SSA agreed with our recommendations.

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## ABBREVIATIONS

DRC	Delayed Retirement Credit
FRA	Full Retirement Age
MBR	Master Beneficiary Record
MEF	Master Earnings File
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to identify and notify spousal beneficiaries who may have been eligible for higher retirement benefits based on their own earnings.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the *Social Security Act*. The OASDI program provides monthly benefits to retired and disabled workers, including their dependents and survivors.<sup>1</sup> To be entitled to retirement benefits, the claimant must be fully insured, have attained age 62, and have filed an application for benefits.<sup>2</sup>

Individuals receiving spousal benefits may have sufficient earnings to be eligible for higher retirement benefits based on their own earnings.<sup>3</sup> Their retirement benefits may be further increased for any month in which they did not receive a monthly benefit after full retirement age (FRA). The amount of the increase, referred to as a delayed retirement credit (DRC), depends on the number of months an individual was at FRA or older and eligible for, but did not receive, retirement benefits. A DRC can be earned for each month beginning at FRA up to age 70.<sup>4</sup>

Individuals who file an application for reduced retirement benefits or reduced spousal benefits must also file for the other benefit if they are eligible for both benefits in their first month of entitlement. This requirement is referred to as the “deemed filing provision.” If SSA subsequently becomes aware that a spouse receiving reduced benefits was eligible for retirement benefits when he/she filed, it must establish entitlement to retirement benefits beginning with the first month of entitlement to reduced spousal benefits.<sup>5</sup>

SSA annually performs the Widow(er)’s Insurance Benefits/Retirement Insurance Benefits operation to identify and notify widow(er)s who are eligible for higher retirement benefits. Most widow(er)s receive two notices—one when they attain FRA and a second when they attain age 70. However, SSA does not send similar notices to spouses who may be eligible for higher retirement benefits based on their own earnings.

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

<sup>2</sup> The *Social Security Act*, §202 (a), 42 U.S.C. § 402 (a).

<sup>3</sup> The *Social Security Act*, §202 *et seq.*, 42 U.S.C. § 402 *et seq.*

<sup>4</sup> The *Social Security Act*, §202 (w), 42 U.S.C. § 402 (w). *See also* SSA, POMS, RS 00615.690.A (December 5, 2008).

<sup>5</sup> The *Social Security Act*, §202 (r), 42 U.S.C. § 402 (r). *See also* SSA, POMS, GN 00204.004.A (February 13, 2012), GN 00204.020.F (May 1, 2013), and RS 00615.020 (April 13, 2011).

In a 2008 audit,<sup>6</sup> we found that spouses did not always receive the higher retirement benefits due them. We estimated that 13,580 spouses were eligible for \$123.7 million in higher retirement benefits after they attained age 70. In response to our audit, SSA stated it would notify spousal beneficiaries of their eligibility to receive higher retirement benefits at age 70.

For our current audit, we identified 83,436 spousal beneficiaries aged 70 or older who may have been eligible for higher retirement benefits. From this population, we selected a random sample of 250 beneficiaries for review (see Appendix A).

## RESULTS OF REVIEW

SSA had not taken action to notify spousal beneficiaries of their eligibility to receive higher retirement benefits. Based on our random sample, we estimate that 26,033 spouses were eligible for \$195.3 million in higher retirement benefits. This consisted of

- 12,349 spouses from our current audit who were eligible for \$59.8 million in retirement benefits and
- 13,684 spouses from our prior audit who were eligible for \$135.5 million in retirement benefits.

We are 90-percent confident the number of spouses eligible for higher retirement benefits ranged from 22,005 to 30,339, and the additional payments ranged from \$131.9 to \$258.6 million (see Appendix B).

This occurred because SSA did not (1) identify and notify spouses when they became eligible for higher retirement benefits at age 70 or older or (2) apply the deemed filing provision or know about the spouses' eligibility for retirement benefits when they applied for spousal benefits.

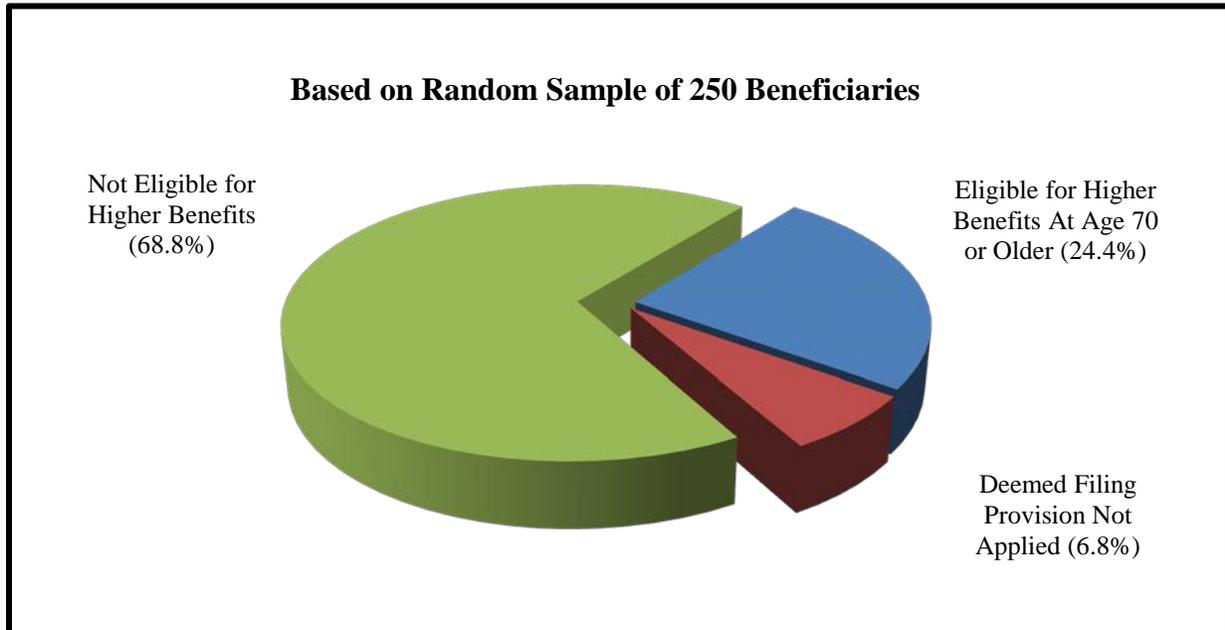
### Spouses Eligible for Higher Retirement Benefits

Of the 250 spouses in our sample, 61 (24.4 percent) were eligible for higher retirement benefits at age 70 or older, and 17 (6.8 percent) should have received additional benefits from their first month of entitlement. The remaining 172 (68.8 percent) were already receiving retirement benefits or their spousal benefit amounts were higher than their retirement benefit amounts. The following chart summarizes the results of our review.

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<sup>6</sup> SSA, OIG, *Payments to Spouses Eligible for Higher Retirement Benefits* (A-09-08-18007), December 16, 2008.

**Figure 1: Spouses Eligible for Higher Retirement Benefits**



### *SSA Did Not Notify Spouses at Age 70*

Each year, SSA sends notices to widow(er)s who are eligible for higher retirement benefits based on their own earnings. Most widow(er)s receive two notices—one when they attain FRA and another when they attain age 70. SSA also sends follow-up notices to widow(er)s who are over age 70 and have not been awarded retirement benefits in spite of previous notices. Although SSA provides notices to widow(er)s, it does not provide notices to spouses who may be eligible for higher retirement benefits based on their own earnings.

In 2009, SSA formed a workgroup that identified a population of 18,768 spouses who were eligible for higher retirement benefits based on their own earnings at age 70. SSA also developed a notification letter. However, according to SSA, it did not take further action because of limited resources. As a result, these spouses did not receive the higher retirement benefits for which they were eligible.

Our review disclosed that 61 of the 250 spouses in our sample were eligible for a higher monthly retirement benefit because of their earnings and/or DRCs. Of these, 10 were eligible for retirement benefits when they applied for spousal benefits and 51 were not. Although DRCs may be earned between FRA and age 70, there is no additional benefit increase after age 70, even if individuals delay taking benefits. Since these spouses had attained age 70, there was no incentive to postpone applying for retirement benefits. As a result, the 61 spouses could have received an additional \$549,584 in retirement benefits at age 70 or older. This consisted of

\$163,207 for 29 spouses we identified during our current audit and \$386,377 for 32 spouses we identified during our prior audit.<sup>7</sup>

For example, a beneficiary had been entitled to spousal benefits since February 2002. The beneficiary had not received retirement benefits and earned 54 DRCs between FRA and age 70. In January 2010, the beneficiary attained age 70, was eligible for a \$755 monthly retirement benefit, and was receiving a \$379 monthly spousal benefit. Had SSA notified the beneficiary she was eligible for a higher retirement benefit, once she applied for those benefits, she could have received an additional \$18,345 in benefits from January 2010 through July 2013.

### *SSA Did Not Apply the Deemed Filing Provision*

SSA policy states that an application for any Title II benefit generally includes all Title II benefits for which an applicant may be eligible. A claimant is deemed to have filed an application for reduced retirement benefits and reduced spousal benefits if they were eligible for both in the beneficiary's first month of entitlement. It does not matter whether it was apparent that eligibility for both benefits existed when the application was filed. Whenever SSA becomes aware of a spouse's eligibility for a retirement benefit, the deemed filing provision will be invoked. SSA employees must retroactively award retirement benefits to the first month of entitlement to spousal benefits.<sup>8</sup>

SSA obtains spouses' earnings records and must consider lag earnings to determine their eligibility for retirement benefits.<sup>9</sup> Lag earnings are recent earnings not yet recorded on an individual's earnings record. SSA employees must also develop evidence of any lag earnings if eligibility to retirement benefits depends on the lag earnings.<sup>10</sup>

Our review disclosed that SSA did not apply the deemed filing provision for 17 of the 250 spouses in our sample. As a result, these spouses should have received an additional \$35,492 in retirement benefits from their first month of entitlement to spousal benefits. We found that 11 of the 17 spouses were eligible for retirement benefits when they applied for reduced spousal benefits, but their recent earnings had not yet been recorded on SSA's records. Of these, SSA did not develop lag earnings for seven spouses, had not obtained proof of earnings for two spouses, and was unaware of recent earnings for two spouses. Also, SSA employees overlooked 6 of the 17 spouses' eligibility for retirement benefits when they applied for reduced spousal benefits.

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<sup>7</sup> Our prior audit included spouses over age 70 with sufficient earnings to be eligible for higher retirement benefits as of May 2007. For our current audit, we selected spouses age 70 and older with sufficient earnings to be eligible for higher retirement benefits from June 2007 to April 2012.

<sup>8</sup> SSA, POMS, GN 00204.004 (February 13, 2012) and GN 00204.020 (May 1, 2013).

<sup>9</sup> SSA, POMS, GN 00204.004.B (February 13, 2012) and GN 00204.004.E (April 19, 2013).

<sup>10</sup> SSA, POMS, RS 01404.005 (March 23, 2011).

For example, a beneficiary was entitled to reduced spousal benefits beginning in March 2002. The beneficiary also had sufficient earnings to be eligible for reduced retirement benefits in March 2002. However, the beneficiary's 2001 earnings were not recorded on SSA's records until May 2002. SSA did not develop evidence of the 2001 earnings and was unaware of the beneficiary's eligibility for retirement benefits when she applied for reduced spousal benefits. In her first month of entitlement, the beneficiary's monthly spousal benefit was \$415. However, she was eligible for a higher monthly retirement benefit of \$426 beginning in March 2002. As a result, SSA underpaid the beneficiary \$3,105 in retirement benefits from March 2002 through July 2013.

## CONCLUSIONS

SSA had not taken action to notify spousal beneficiaries of their eligibility to receive higher retirement benefits. Since our 2008 audit, the number of spouses eligible for higher retirement benefits has increased from 13,580 to 26,033. The average annual increase was 2,531 spouses.<sup>11</sup> In addition, the amount of higher retirement benefits they are eligible to receive has increased from about \$123.7 to an estimated \$195.3 million (see Appendix B). In response to our prior audit, SSA formed a workgroup, identified a population of 18,768 spouses eligible for higher retirement benefits, and developed a notification letter. However, according to SSA, it did not take further action because of limited resources.

In 2012, SSA identified and sent notices to 58,575 widow(er)s and, in May 2013, to 72,434 widow(er)s who may be eligible for higher retirement benefits. If SSA were to notify spousal beneficiaries of their eligibility for higher retirement benefits, it would initially identify about 26,000 beneficiaries. Thereafter, we estimate that SSA would identify about 2,500 spouses, annually, who would be eligible for higher retirement benefits.

## RECOMMENDATIONS

We recommend that SSA:

1. Identify and notify spousal beneficiaries of their eligibility to receive higher retirement benefits at age 70.
2. Evaluate the feasibility of automating benefit increases for spouses eligible for higher retirement benefits at age 70.
3. Remind employees to (1) apply the deemed filing provision when individuals apply for reduced retirement or spousal benefits and are eligible for both benefits in their first month of entitlement and (2) review and develop lag earnings for spousal beneficiaries if eligibility for retirement benefits is dependent upon those earnings.

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<sup>11</sup> 26,033 - 13,580 = 12,453 spouses ÷ 4.92 years = 2,531 spouses per year.

## AGENCY COMMENTS

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

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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We obtained from the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) a data extract of spousal beneficiaries in current pay status who were age 70 or older as of April 2012. We obtained the earnings records from the Master Earnings File (MEF) for these spouses. Using this information, we identified a population of 83,436 spouses with sufficient earnings to be eligible for retirement benefits. From this population, we selected a random sample of 250 spouses for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, U.S. Code, and SSA’s Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations and Retirement and Disability Policy;
- reviewed queries from SSA’s MBR, Informational/Certified Earnings Records, Interactive Computation Facility, Online Retrieval System, and Modernized Claims System; and
- compared the amount of retirement benefits payable to the amount of spousal benefits paid for beneficiaries eligible for higher benefits from age 70 to December 2012.

We determined the computer-processed data from the MBR and MEF were sufficiently reliable for our intended purpose. We tested the data to determine their completeness and accuracy. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between February and August 2013. 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 perform 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

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From the Social Security Administration’s (SSA) Master Beneficiary Record, we obtained a data extract of spousal beneficiaries in current payment status who were age 70 or older as of April 2012. We obtained the earnings records from the Master Earnings File and identified a population of 83,436 spouses with sufficient earnings to be eligible for retirement benefits. From this population, we selected a random sample of 250 spouses for review. Using SSA’s automated systems, we reviewed the beneficiaries’ earnings, delayed retirement credits, and monthly benefit amounts to determine whether they were eligible for higher retirement benefits.

We found that 78 spouses were eligible for \$585,076 in higher retirement benefits. Of these, 37 spouses in our current audit were eligible for \$179,046 in retirement benefits, and 41 spouses from our prior audit were eligible for \$406,030 in retirement benefits.<sup>1</sup>

This occurred because SSA did not (1) identify and notify spouses when they became eligible for higher retirement benefits at age 70 or older and (2) apply the deemed filing provision or was unaware of the spouses’ eligibility for retirement benefits when they applied for spousal benefits.

Projecting our sample results to the population of 83,436 spouses, we estimate that 26,033 spouses were eligible for about \$195.3 million in higher retirement benefits. Of these, 12,349 spouses in our current audit were eligible for about \$59.8 million in retirement benefits, and 13,684 spouses from our prior audit were eligible for about \$135.5 million in retirement benefits.

The following tables provide the details of our sample results and statistical projections.

**Table B–1: Population and Sample Size**

Description	Spouses
Population Size	83,436
Sample Size	250

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<sup>1</sup> Our prior audit included spouses over age 70 with sufficient earnings to be eligible for higher retirement benefits as of May 2007. For our current audit, we selected spouses age 70 or older with sufficient earnings to be eligible for higher retirement benefits from June 2007 to April 2012.

**Table B–2: Spouses Eligible for Higher Retirement Benefits**

Description	Spouses	Retirement Benefits
Sample Results	78	\$585,076
Point Estimate	26,033	\$195,265,537
Projection – Lower Limit	22,005	\$131,899,624
Projection – Upper Limit	30,339	\$258,631,451

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

**Table B–3: Spouses Eligible for Higher Retirement Benefits – Current Audit**

Description	Spouses	Retirement Benefits
Sample Results	37	\$179,046
Point Estimate	12,349	\$59,755,628
Projection – Lower Limit	9,377	\$33,201,523
Projection – Upper Limit	15,852	\$86,309,734

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

**Table B–4: Spouses Eligible for Higher Retirement Benefits – Prior Audit**

Description	Spouses	Retirement Benefits
Sample Results	41	\$406,030
Point Estimate	13,684	\$135,509,909
Projection – Lower Limit	10,569	\$76,460,163
Projection – Upper Limit	17,305	\$194,559,656

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

## Appendix C – AGENCY COMMENTS

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## SOCIAL SECURITY

### MEMORANDUM

Date: February 10, 2014 Refer To: S1J-3

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

From: Katherine Thornton /s/  
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Spouses Eligible for Higher Retirement Benefits"  
(A-09-12-21292)--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, “SPOUSES ELIGIBLE FOR HIGHER RETIREMENT BENEFITS” (A-09-12-21292)**

**Recommendation 1**

Identify and notify spousal beneficiaries of their eligibility to receive higher retirement benefits at age 70.

**Response**

We agree. In fiscal year (FY) 2014, we will initiate a clean-up activity to identify those spousal beneficiaries who are eligible to receive higher retirement and notify them through a written notice.

To enable us to identify and notify these type of beneficiaries in the future, we will propose a system enhancement for inclusion in our information technology (IT) development projects for FY 2015. We envision automating this workload to mirror the process currently in place to notify widow(er)s of potential entitlement to higher benefits.

**Recommendation 2**

Evaluate the feasibility of automating benefit increases for spouses eligible for higher retirement benefits at age 70.

**Response**

We agree. In FY 2015, we will evaluate the feasibility of automating benefit increases for spouses eligible for higher retirement benefits at age 70.

**Recommendation 3**

Remind employees to (1) apply the deemed filing provision when individuals apply for reduced retirement or spousal benefits and are eligible for both benefits in their first month of entitlement and (2) review and develop lag earnings for spousal beneficiaries if eligibility for retirement benefits is dependent upon those earnings.

**Response**

We agree. By the end of FY 2014, we will remind employees of our policies concerning these issues.

## Appendix D – MAJOR CONTRIBUTORS

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James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Vickie Choy, Senior Auditor

Wilfred Wong, Audit Data Specialist

Alla Resman, IT Specialist

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