



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Excess Withholding of Government
Pension Offset

A-09-14-14052 | February 2015

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: February 3, 2015

Refer To:

To: The Commissioner

From: Inspector General

Subject: Excess Withholding of Government Pension Offset (A-09-14-14052)

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 pay spousal beneficiaries who had an excess withholding of Government Pension Offset.

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

Excess Withholding of Government Pension Offset

A-09-14-14052



February 2015

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to identify and pay spousal beneficiaries who had an excess withholding of Government Pension Offset (GPO).

Background

GPO reduces monthly Social Security benefits for spouses and surviving spouses who receive a pension based on their employment for a Federal, State, or local government not covered by Social Security. For beneficiaries who are subject to GPO, SSA records on the Master Beneficiary Record (MBR), the pension start date, monthly pension amount, offset amount, and date of any expected pension increases. The GPO reduction is generally two-thirds of the government pension. If two-thirds of the government pension is equal to, or more than, the monthly spousal benefit amount, the beneficiary will not receive their spousal benefits and SSA will place the beneficiary in suspended payment status.

We identified 7,794 spousal beneficiaries who, according to the MBR, did not receive a monthly benefit amount because of GPO. However, some benefits could be payable because their current monthly benefit amount exceeds their current GPO amount by at least \$100.

Findings

SSA needs to improve its controls to identify and pay spousal beneficiaries who have an excess withholding of GPO. Based on our random sample, we estimate that SSA improperly paid 1,013 beneficiaries approximately \$12.4 million in spousal benefits and had not verified and updated pension or GPO amounts on the MBR for 5,768 spousal beneficiaries. We also estimate that SSA will improperly pay the 1,013 spousal beneficiaries about \$2.5 million, annually unless it takes action to identify and correct these payments errors. Finally, 92 percent of the spousal beneficiaries with improper payments we identified were due underpayments SSA had not paid them.

Generally, these errors occurred because SSA employees had not resolved alerts that required they verify and update the MBR with current pension and GPO amounts. We also found that SSA employees recorded an incorrect pension and GPO amount on the MBR.

Recommendations

We recommend that SSA:

1. Verify and update the pension and GPO amounts for the 87 beneficiaries identified by our audit. In addition, if appropriate, establish overpayments and pay underpayments for these beneficiaries.
2. Ensure it generates systems alerts, as appropriate, for the remaining 7,794 spousal beneficiaries and that its employees timely resolve those alerts.

SSA agreed with our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	1
SSA’s Controls and Procedures to Identify and Pay Spousal Beneficiaries Who Had Excess Withholding of GPO	3
Incorrect Pension and GPO Amounts	4
Conclusions	5
Recommendations	6
Agency Comments	6
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments	C-1
Appendix D – Major Contributors	D-1

ABBREVIATIONS

GPO	Government Pension Offset
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
OPM	Office of Personnel Management
SSA	Social Security Administration

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to identify and pay spousal beneficiaries who had an excess withholding of Government Pension Offset (GPO).

BACKGROUND

GPO reduces monthly Social Security benefits for spouses and surviving spouses who receive a pension based on their employment for a Federal, State, or local government not covered by Social Security.¹ For beneficiaries who are subject to GPO, SSA records on the Master Beneficiary Record (MBR) the pension start date, monthly pension amount, offset amount, and date of any expected pension increases. The GPO reduction is generally two-thirds of the government pension. If two-thirds of the government pension is equal to, or more than, the monthly spousal benefit amount, the beneficiary will not receive their spousal benefits, and SSA will place the beneficiary in suspended payment status.² If the monthly spousal benefit amount increases and exceeds the GPO amount, SSA must pay the beneficiary the difference between their monthly benefit and the GPO amount.

According to SSA, approximately 438,000 spousal beneficiaries did not receive a monthly benefit amount because of GPO. Of those we identified, 7,794 spousal beneficiaries who could have some benefits payable because their monthly benefit amount exceeded their current GPO amount by at least \$100. From this population, we selected a random sample of 100 beneficiaries for review (see Appendix B).

RESULTS OF REVIEW

SSA needs to improve its controls to identify and pay spousal beneficiaries who have an excess withholding of GPO. Based on our random sample, we estimate that SSA

- improperly paid 1,013 beneficiaries approximately \$12.4 million in spousal benefits and
- had not verified and updated pension or GPO amounts on the MBR for 5,768 spousal beneficiaries.

We also estimate that SSA will improperly pay the 1,013 spousal beneficiaries \$2.5 million, annually, unless it takes action to identify and correct these payments errors. Finally, 92 percent of the spousal beneficiaries with improper payments we identified were due underpayments SSA had not paid them.

¹ SSA, POMS, GN 02608.100 (August 29, 2013).

² SSA, POMS, GN 02608.100 (August 29, 2013).

We are 90-percent confident the number of spousal beneficiaries with improper payments ranged from 616 to 1,545, and the improper payments ranged from \$5.8 to \$19.1 million. We are also 90-percent confident that the number of spousal beneficiaries with incorrect pension or GPO amounts on the MBR ranged from 5,133 to 6,317 (see Appendix B).

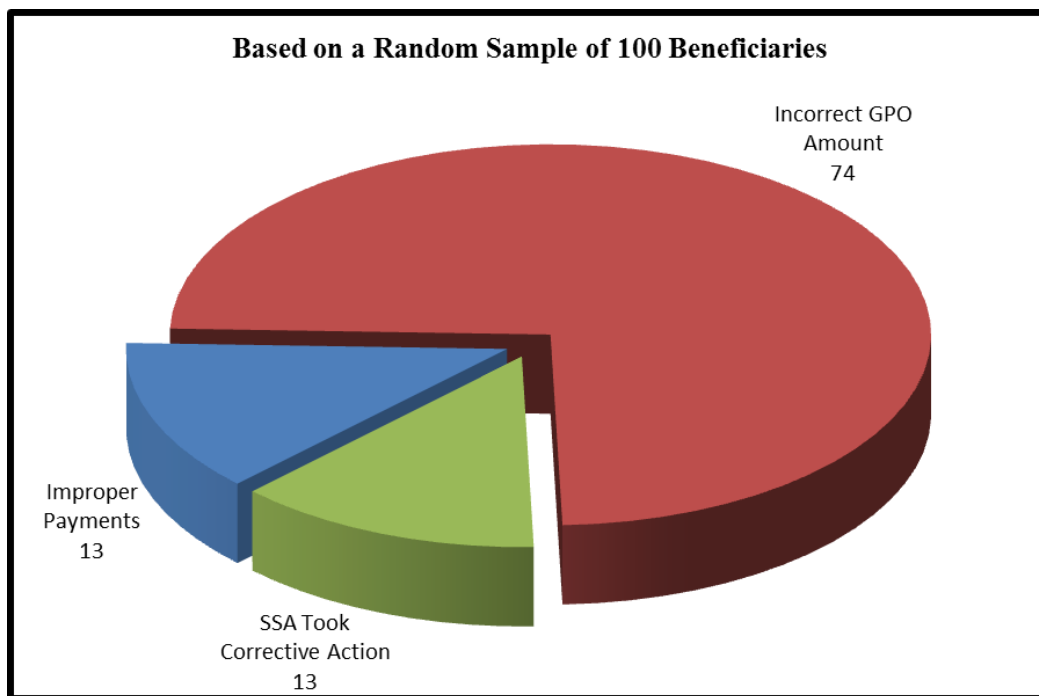
Generally, these errors occurred because SSA employees had not resolved alerts that required they verify and update the MBR with current pension and GPO amounts. We also found that SSA employees recorded incorrect pension and GPO amounts on the MBR.

For the 100 beneficiaries in our sample, we found that

- 13 were improperly paid because their pension or GPO amounts were incorrect;
- 74 were properly paid but had incorrect pension and/or GPO amounts on the MBR; and
- 13 were properly paid, and SSA had updated their pension and GPO amounts on the MBR.

The following chart summarizes the results of our review.

Figure 1: Beneficiaries with Incorrect GPO Amounts



SSA's Controls and Procedures to Identify and Pay Spousal Beneficiaries Who Had Excess Withholding of GPO

GPO reduces monthly Social Security benefits for spouses and surviving spouses who receive a pension based on their employment for a Federal, State, or local government not covered by Social Security.³ For beneficiaries who are subject to GPO, SSA records on the MBR, the pension start date, monthly pension amount, GPO amount, and date of expected pension increases. The GPO reduction is generally two-thirds of the government pension. If two-thirds of the government pension is equal to, or more than, the monthly spousal benefit amount, the beneficiary will not receive their spousal benefits, and SSA will place the beneficiary in suspended payment status.⁴ If the monthly spousal benefit amount increases and exceeds the GPO amount, SSA must pay the beneficiary the difference between their monthly benefit and the GPO amounts.

SSA generates several alerts to identify an excess withholding of GPO. SSA employees must resolve these alerts timely to ensure it properly pays beneficiaries who are subject to GPO.

- SSA's Title II system produces an alert for spousal beneficiaries whose benefits SSA has suspended when (1) the GPO amount on the MBR is less than the monthly spousal benefit amount and (2) SSA has not verified the pension amount on the MBR within the last 2 years. To resolve these alerts, SSA employees must verify the current pension amount, update the MBR pension and GPO amounts, and pay any benefits due the beneficiary.
- When SSA increases a spouse's monthly benefit amount because of a cost-of-living adjustment, it produces an alert for individuals whose benefits SSA has suspended when the GPO amount on the MBR is less than the monthly benefit amount. To resolve this alert, SSA employees must verify the current pension amount, update the MBR pension and GPO amounts, and pay any benefits due the beneficiary.
- SSA matches Federal pension data from the Office of Personnel Management (OPM) to the MBR and generates an alert if two-thirds of the OPM pension amount does not equal the GPO amount on the MBR. To resolve these alerts, SSA employees must ensure the pension and GPO amounts on the MBR are correct. In addition, if SSA employees determine they withheld an excess GPO amount, they must pay any benefits due the beneficiary.⁵

³ SSA, POMS, GN 02608.100 (August 29, 2013).

⁴ SSA, POMS, GN 02608.100 (August 29, 2013).

⁵ SSA, POMS, GN 02608.301 (March 8, 2013).

Incorrect Pension and GPO Amounts

For 87⁶ of the 100 spousal beneficiaries in our sample, SSA had not verified or updated the MBR with current pension or GPO amounts for an average of 15.8 years.⁷ Therefore, we obtained cost-of-living increases from the pension-paying agencies to determine their current pension and GPO amounts for the 87 beneficiaries and found

- 12 were underpaid \$139,803 because SSA withheld an excess GPO amount;
- 1 was overpaid \$19,608 because SSA under-withheld GPO; and
- 74 were properly paid; however, their pension and GPO amounts on the MBR were incorrect.

Generally, these errors occurred because SSA employees had not resolved alerts that required they verify and update the MBR with current pension and GPO amounts. We also found that SSA employees recorded incorrect pension and GPO amounts on the MBR.

Excess Withholding of GPO – For 12 beneficiaries, SSA initially determined the GPO amount was higher than their monthly spousal benefit amount. Therefore, SSA did not pay any spousal benefits and placed the beneficiaries in a suspended payment status. Subsequently, their monthly spousal benefit amounts increased and exceeded the GPO amount on the MBR. When the monthly benefit amount increased and exceeded the GPO amount, SSA employees should have verified the beneficiary’s current pension amount, any pension increases since the previous verification, and updated the pension information on the MBR.⁸ In addition, all 12 beneficiaries met SSA’s systems alert conditions because their monthly benefit amounts exceeded their current GPO amount. Generally, there was no evidence of SSA employees’ attempts to obtain updated pension and GPO amounts in SSA’s electronic records. As a result, SSA underpaid these 12 beneficiaries \$139,803 in spousal benefits.

For example, a surviving spouse was initially entitled to a monthly spousal benefit amount of \$423 in July 1989 and a monthly pension of \$1,300 from the State of Colorado. Since the GPO amount exceeded her monthly benefit amount, SSA correctly withheld her benefits and placed her in a suspended payment status. In March 2003, her monthly benefit amount had increased to \$1,410 and exceeded her GPO amount of \$1,360. However, SSA had not taken actions to verify her current pension amount, update the MBR pension and GPO amounts, place her in current pay or pay her for the excess withholding of GPO. As a result, she was underpaid \$16,973 in spousal benefits from March 2003 through October 2014.

⁶ Of these, 46 received a Federal pension and 41 received a State or local pension.

⁷ The mean was 15.8 years. The median was 15.3 years.

⁸ SSA, POMS, GN 02608.100 (August 29, 2013), GN 02608.300.A (September 23, 2013), GN 02608.301 (March 8, 2013).

Under-withholding GPO – SSA incorrectly recorded a Federal pension amount for a spousal beneficiary. The beneficiary was receiving a \$4,927 monthly Federal pension as of August 2012. However, beginning in September 2012, SSA was incorrectly recording on the MBR a monthly pension amount of \$48.63. As a result, SSA under-withheld GPO and overpaid the beneficiary \$19,608 from May 2012 through August 2014. As a result of our review, SSA subsequently took corrective action and established the overpayment in August 2014.

Incorrect Pension and GPO Amounts – For 74 beneficiaries, SSA initially determined the GPO amount was higher than their monthly spousal benefit amount. Therefore, SSA did not pay any spousal benefits and placed their records in a suspended payment status. Subsequently, their spousal benefit amounts increased and exceeded the GPO amount recorded on the MBR. When the monthly benefit amount increased and exceeded the GPO amount, SSA employees should have verified the beneficiary’s current pension amount as well as any pension increases since the previous verification and updated the pension information on the MBR.⁹ We determined their current pension amounts and found there were no improper payments because their current GPO amount continued to exceed their spousal benefit amount.

All 74 beneficiaries met SSA’s systems alert conditions because their monthly benefit amounts exceeded the GPO amount on the MBR. Generally, there was no evidence of SSA employees’ attempts to obtain updated pension and GPO amounts, as required.

CONCLUSIONS

SSA needs to improve its controls to identify and pay spousal beneficiaries who have an excess withholding of GPO. Based on our random sample, we estimate that SSA improperly paid 1,013 beneficiaries \$12.4 million in spousal benefits and had not verified and updated pension or GPO amounts on the MBR for 5,768 spousal beneficiaries. We also estimate that SSA will improperly pay the 1,013 spousal beneficiaries \$2.5 million, annually, unless it takes action to identify and correct these payments errors (see Appendix B). Finally, 92 percent of the spousal beneficiaries with improper payments we identified were due underpayments SSA had not paid them.

⁹ SSA, POMS, GN 02608.100 (August 29, 2013), GN 02608.300.A (September 23, 2013), GN 02608.301 (March 8, 2013).

RECOMMENDATIONS

We recommend that SSA:

1. Verify and update the pension and GPO amounts for the 87 beneficiaries identified by our audit. In addition, if appropriate, establish overpayments and pay underpayments for these beneficiaries.
2. Ensure it generates systems alerts, as appropriate, for the remaining 7,794 spousal beneficiaries and that its employees timely resolve those alerts.

AGENCY COMMENTS

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

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

According to the Social Security Administration (SSA), approximately 438,000 spousal beneficiaries did not receive a monthly benefit amount because of Government Pension Offset (GPO). Of these, we obtained from the Master Beneficiary Record (MBR), a population of 7,794 spousal beneficiaries who could have had some benefits payable because their monthly benefit amount exceeded their current GPO amount by at least \$100. From this population, we selected a random sample of 100 beneficiaries to determine whether SSA had adequate controls to identify and pay spousal beneficiaries who had an excess withholding of GPO.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act* and SSA's Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations and Systems;
- reviewed a random sample of 100 spousal beneficiaries who were not receiving a monthly benefit amount because of GPO but whose current monthly benefit amount exceeded their current GPO amount by at least \$100;
- reviewed queries from SSA's MBR, Detailed Earnings Query, Modernized Claims System, Shared Evidence Screen, Claims Folder Records Management System, and Paperless System;
- determined the current pension amount for Federal retirees from the Office of Personnel Management and for the State/Local retirees from pension agencies in Alaska, California, Colorado, Illinois, Kentucky, Louisiana, Massachusetts, Missouri, New York, Ohio, Pennsylvania, Tennessee, and Texas;
- determined the amount of improper payments made to the 13 beneficiaries for whom SSA incorrectly withheld GPO; and
- provided information on the 13 beneficiaries with ongoing improper payments to SSA's Office of Operations for resolution.

We determined whether the computer-processed data from the MBR were sufficiently reliable for our intended use. 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 March and October 2014. The entities audited were the Offices of the Deputy Commissioners for Operations and Systems.

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

According to the Social Security Administration (SSA), approximately 438,000 spousal beneficiaries did not receive a monthly benefit amount because of Government Pension Offset (GPO). Of these, we obtained from the Master Beneficiary Record (MBR), a population of 7,794 spousal beneficiaries who could have some benefits payable because their monthly benefit amount exceeded their current GPO amount by at least \$100. From this population, we selected a random sample of 100 beneficiaries for review.

For each of the beneficiaries in our sample, we determined whether SSA had correctly withheld GPO. We reviewed the MBR to determine whether the pension information was correct and current and SSA had correctly applied GPO. We also reviewed other SSA records to obtain information on the pension received and how SSA staff applied GPO. These records included Detailed Earnings Query, Modernized Claims System, Shared Evidence Screen, Claims Folder Records Management System, and Paperless System. For beneficiaries whose pension amounts SSA had verified and updated, we determined the current pension and GPO amounts.

SSA did not verify the current pension amount or update the MBR with the current GPO amount for 87 beneficiaries. Of these, SSA improperly paid 13 beneficiaries \$159,411 between September 2002 and August 2014 because their pension or GPO amounts were incorrect. While not currently being over- or underpaid, the remaining 74 beneficiaries had incorrect pension or GPO amounts on the MBR that could result in incorrect payments in the future.

The following tables provide the details of our sample results.

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	7,794
Sample Size	100

Excess or Under-withholding of GPO

Of the 100 spousal beneficiaries in our sample, SSA underpaid 12 because it withheld excess GPO and overpaid 1 because it under-withheld GPO. As a result, SSA improperly paid these 13 beneficiaries \$159,411. Projecting these results to our population of 7,794 spousal beneficiaries, we estimate that SSA improperly paid about \$12.4 million to 1,013 beneficiaries.

Table B–2: Improper Payments – Excess or Under-withholding of GPO

Description	Beneficiaries	Amount
Sample Results	13	\$159,411
Point Estimate	1,013	\$12,424,493
Projection – Lower Limit	616	\$5,783,006
Projection – Upper Limit	1,545	\$19,065,981

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

Incorrect Pension and GPO Amount

Of the 100 beneficiaries in our sample, SSA did not verify current pension amounts or update the MBR with current GPO amounts, as required, for 74 spousal beneficiaries. Projecting these results to our population, we estimate that SSA had incorrect pension and/or GPO amounts for 5,768 spousal beneficiaries on the MBR.

Table B–3: Incorrect Pension and GPO Amounts

Description	Beneficiaries
Sample Results	74
Point Estimate	5,768
Projection – Lower Limit	5,133
Projection – Upper Limit	6,317

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

Annual Estimate of Improper Payments

To estimate the annual improper payments that would occur if SSA does not take corrective actions, we multiplied our population estimate by the average improper payment amount for the 12-month period that ended August 2014 for our sampled beneficiaries. Using this methodology, we estimate that SSA will improperly pay 1,013 beneficiaries about \$2.5 million ($1,013 \times \$2,442.15 = \$2,473,897.95$) in spousal benefits, annually, until it takes corrective action.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: January 7, 2015

Refer To: S1J-3

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

From: Stacy L. Rodgers /s/
Chief of Staff

Subject: Office of the Inspector General Draft Report, "Excess Withholding of Government Pension Offset" (A-09-14-14052) - 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, “EXCESS WITHHOLDING OF GOVERNMENT PENSION OFFSET” (A-09-14-14052)

Recommendation 1

Verify and update the pension and GPO amounts for the 87 beneficiaries identified by our audit. In addition, if appropriate, establish overpayments and pay underpayments for these beneficiaries.

Response

We agree. We will verify and update pension amounts and establish applicable overpayments and underpayments by no later than March 31, 2015.

Recommendation 2

Ensure it generates systems alerts, as appropriate, for the remaining 7,794 spousal beneficiaries and that its employees timely resolve those alerts.

Response

We agree. Beginning January 2015, we will ensure we properly generate system alerts, where appropriate, for the 7,794 spousal beneficiaries. We anticipate our evaluation to be completed by no later than March 2015, and at that time we will determine if any systems adjustments are necessary. If we determine our system is properly generating alerts, but we are not addressing those alerts timely, we will issue a reminder for employees to timely resolve the alerts.

Appendix D – MAJOR CONTRIBUTORS

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

Manfei Lau, Senior Auditor

Wilfred Wong, Audit Data Specialist

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