



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Underpayments Payable to
Widow(er)s Eligible for a Higher
Monthly Benefit Amount

A-09-14-34103 | April 2016

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: April 11, 2016

Refer To:

To: The Commissioner

From: Inspector General

Subject: Underpayments Payable to Widow(er)s Eligible for a Higher Monthly Benefit Amount
(A-09-14-34103)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration had adequate controls to ensure it established the correct primary insurance amount for the widow(er)s when a deceased wage earner died before age 62.

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

Underpayments Payable to Widow(er)s Eligible for a Higher Monthly Benefit Amount

A-09-14-34103



April 2016

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it established the correct primary insurance amount (PIA) for widow(er)s when a wage earner died before age 62.

Background

Normally, the eligibility year used to determine the PIA is the year a wage earner attains age 62, becomes disabled, or dies. However, the *Social Security Act* requires an alternative PIA computation for aged and disabled widow(er)s' benefits when the deceased wage earner dies before age 62. The alternative method, Widow(er)'s Indexing (WINDEX) PIA, can result in a higher monthly benefit amount payable to widow(er)s because the PIA calculation uses the widow(er)'s eligibility year or the year the wage earner would have attained age 62.

SSA uses the Modernized Claims System (MCS) to take and process applications for benefits, which automatically computes a WINDEX PIA, if applicable. However, there are some claims that SSA must process outside MCS.

We identified 178,462 widow(er)s who did not have a WINDEX PIA, and the deceased wage earners died before they attained age 62.

Findings

SSA needs to improve its controls to ensure it establishes the correct PIA for widow(er)s when deceased wage earners die before age 62. Based on our random sample, we estimated that SSA underpaid approximately \$224 million to 25,309 widow(er)s. We also estimated that SSA did not record on the Master Beneficiary Record that 11,032 widow(er)s were entitled to benefits based on a WINDEX PIA.

This occurred because SSA employees did not identify that a WINDEX PIA applied when they processed claims outside MCS. In addition, SSA employees did not update the Master Beneficiary Record to indicate that widow(er)s' monthly benefit amounts were based on a WINDEX PIA. Finally, SSA's systems did not detect when a WINDEX PIA applied for manually processed claims.

Recommendations

We recommend that SSA:

1. Take appropriate actions for the remaining 29 widow(er)s eligible for a higher monthly benefit identified by our audit.
2. Take appropriate actions to record a WINDEX PIA indicator on the Master Beneficiary Record for the 17 widow(er)s identified by our audit.
3. Evaluate the results of its corrective action for the widow(er)s identified by our audit and determine the appropriate action for the remaining population of widow(er)s who may be eligible for a higher monthly benefit.
4. Determine whether it should develop a systems alert to detect when a WINDEX PIA should apply.

SSA agreed with our recommendations.

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ABBREVIATIONS

Act	<i>Social Security Act</i>
MBR	Master Beneficiary Record
MCS	Modernized Claims System
MSOM	Modernized Systems Operations Manual
OIG	Office of the Inspector General
PIA	Primary Insurance Amount
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code
WINDEX	Widow(er)'s Indexing

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it established the correct primary insurance amount (PIA) for widow(er)s when a deceased wage earner died before age 62.

BACKGROUND

The *Social Security Act* (Act)¹ provides monthly benefits to retired and disabled workers and their dependents and survivors. Normally, the eligibility year to determine the PIA is the year a wage earner attains age 62, becomes disabled, or dies. However, the Act requires an alternative PIA computation for aged and disabled widow(er)s when the deceased wage earner dies before age 62. The alternative method, Widow(er)'s Indexing (WINDEX) PIA, can result in a higher PIA and monthly benefit amount payable to widow(er)s because the PIA calculation uses the widow(er)'s eligibility year or the year the wage earner would have attained age 62. The WINDEX PIA applies to widow(er)s who are first eligible for benefits in 1985 or later and only when it results in a higher monthly benefit amount.²

SSA uses the Modernized Claims System (MCS) to take and process applications for benefits.³ MCS automatically computes a WINDEX PIA, if applicable. However, if MCS cannot process a claim, SSA employees must manually confirm the entitlement and eligibility as well as determine the correct PIA and monthly benefit amount.⁴ To determine whether a WINDEX PIA applies, employees must use the deceased wage earner's and the widow(er)'s identifying information and the deceased wage earner's earnings history.

We identified 178,462 widow(er)s, who, according to the Master Beneficiary Record (MBR), were entitled to benefits but did not have a WINDEX PIA even though the deceased wage earners died before they attained age 62 and the widow(er)s were initially eligible for benefits in 1985 or later. From this population, we selected a random sample of 275 widow(er)s for review (see Appendix B).

¹ The *Social Security Act* § 201 and 202 *et seq.*, 42 U.S.C. § 401 *et seq.*

² The *Social Security Act* § 202 (e)(2)(B) & (f)(2)(B), SSA, POMS, RS 00615.302 (June 5, 2006), and RS 00605.005 (March 21, 2006).

³ SSA, POMS, GN 00201.005 (September 18, 2013).

⁴ SSA, POMS, GN 01010.205 (April 5, 2012).

RESULTS OF REVIEW

SSA needs to improve its controls to ensure it establishes the correct PIA for widow(er)s when deceased wage earners die before age 62. Based on our random sample, we estimated that SSA underpaid approximately \$224 million to 25,309 widow(er)s. We also estimated that SSA did not record on the MBR that 11,032 widow(er)s were entitled to benefits based on a WINDEX PIA (see Appendix B).

This occurred because SSA employees did not identify that a WINDEX PIA applied when they manually processed claims outside MCS. In addition, SSA employees did not update the MBR to indicate that widow(er)s' monthly benefit amounts were based on a WINDEX PIA. Finally, SSA's systems did not detect when a WINDEX PIA applied for manually processed claims.

Widow(er)s Eligible for a WINDEX PIA

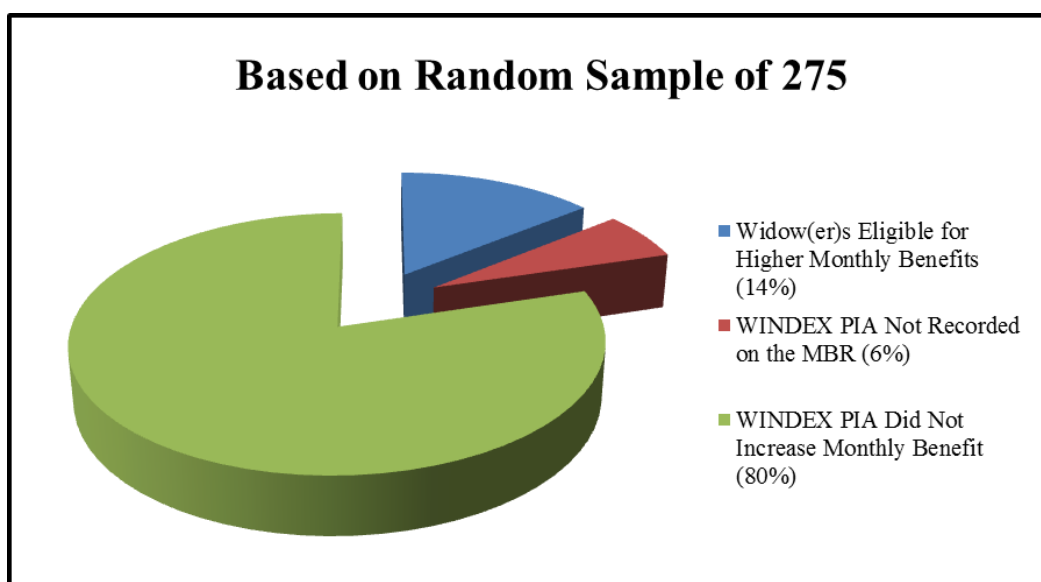
Of the 275 widow(er)s in our sample, 56 were eligible for a WINDEX PIA:

- 39 (14 percent) were underpaid \$344,540 because SSA did not apply the WINDEX PIA, and
- 17 (6 percent) were correctly paid based on the WINDEX PIA, but it was not recorded on the MBR.

For the remaining 219 (80 percent) widow(er)s, the WINDEX PIA did not apply or did not result in a higher monthly benefit amount.

Figure 1 summarizes the results of our review.

Figure 1: Widow(er)s Eligible for a WINDEX PIA



Widow(er)s Eligible for Higher Monthly Benefits

According to SSA policy, SSA employees must consider whether a WINDEX PIA applies for widow(er)'s benefits if a deceased wage earner died before age 62.⁵ Widow(er)s must meet all the following requirements for the WINDEX PIA (see Appendix C).⁶

- Widow(er) is not eligible for benefits before 1985.
- Wage earner's death must be after 1978.
- Wage earner's death must occur before he/she reaches age 62.
- PIA must be computed under a 1977-amended method.⁷
- Widow(er)'s first eligibility must be after the wage earner's death.⁸

SSA employees use MCS to take and process claims for benefits.⁹ MCS automatically computes a WINDEX PIA, if applicable. However, there are MCS processing limitations and exclusions that make it necessary for SSA employees to manually confirm entitlement, determine the PIA, and update the MBR with the correct PIA.

We found that 39 (14 percent) widow(er)s were eligible for an additional \$344,540 in benefits because SSA employees did not apply the WINDEX PIA, as required. All 39 widow(er)s' claims were manually processed outside MCS and therefore SSA employees were required to determine the correct PIA. For 36 widow(er)s, SSA incorrectly paid benefits based on a survivor PIA that had been established on the MBR before the widow(er)s applied for benefits. For three widow(er)s, SSA incorrectly paid benefits because it excluded the widow(er)'s eligibility information to determine the PIA. Finally, we found that SSA did not have a control in place to alert employees that a WINDEX PIA applied for manually processed claims.

⁵ SSA, POMS, GN 01010.053 (September 3, 2015) and GN 01010.100 (November 10, 2011).

⁶ SSA, POMS, RS 00615.302 (June 5, 2006).

⁷ The *Social Security Amendments of 1977*, Pub. L. No. 95-216, 91 Stat.1509 (December 20, 1977), revised the benefit structure to stabilize future replacement rates, otherwise known as "decoupling" or the wage-indexed method. The WINDEX PIA was part of the *Social Security Amendments of 1983*, Pub. L. No. 98-21, 97 Stat.65 (April 20, 1983).

⁸ A widow(er) is first eligible when he/she attains age 60 or is between ages 50 and 59 and disabled.

⁹ SSA, POMS, GN 00201.005 (September 18, 2013).

For example, in March 1988, a wage earner died at age 47, and his widow applied for benefits in May 2010. When SSA processed the widow's claim, the SSA employee incorrectly used 1988 (the year the wage earner died) to determine the PIA, when he/she should have used the year the wage earner attained age 62 (2002). Therefore, beginning in May 2010, SSA determined the widow was entitled to a monthly benefit amount of \$1,740 when she should have been entitled to a monthly benefit amount of \$2,094. As a result, SSA underpaid the widow \$23,441 from May 2010 to December 2015.

During our review, we provided SSA information on the 39 widow(er)s so it could take corrective actions. As of February 2016, SSA had taken corrective actions for 10.

WINDEX PIA Not Recorded on the MBR

When SSA employees determine a WINDEX PIA applies, they must update the claim to include the WINDEX PIA information. Specifically, SSA employees must record a WINDEX PIA indicator on the MBR. We found that SSA employees correctly determined a WINDEX PIA applied but did not record a WINDEX indicator on the MBR for 17 widow(er)s. Although SSA properly paid the widows based on a WINDEX PIA, the MBR did not reflect that a WINDEX PIA applied. Since the WINDEX PIA is higher than the PIA for other entitled survivors, the absence of a WINDEX indicator on the MBR increases the risk that SSA would improperly pay the other entitled survivors based on the higher PIA.

CONCLUSIONS

SSA needs to improve its controls to ensure it establishes the correct PIA for widow(er)s when deceased wage earners die before age 62. Based on our random sample, we estimate that SSA underpaid approximately \$224 million to 25,309 widow(er)s. We also estimate that SSA did not record on the MBR that 11,032 widow(er)s were entitled to benefits based on a WINDEX PIA (see Appendix B).

This occurred because SSA employees did not identify that a WINDEX PIA applied when they processed claims outside MCS. In addition, SSA employees did not update the MBR to indicate that widow(er)'s monthly benefit amounts were based on a WINDEX PIA. Finally, SSA's systems did not detect when a WINDEX PIA applied for manually processed claims.

RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action for the remaining 29 widow(er)s eligible for a higher monthly benefit identified by our audit.
2. Take appropriate actions to record a WINDEX PIA indicator on the MBR for the 17 widow(er)s identified by our audit.
3. Evaluate the results of its corrective action for the widow(er)s identified by our audit and determine the appropriate action for the remaining population of widow(er)s who may be eligible for a higher monthly benefit.
4. Determine whether it should develop a systems alert to detect when a WINDEX PIA should apply.

AGENCY COMMENTS

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



Steven L. Schaeffer, JD, CPA, CGFM, CGMA
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

We obtained from all segments of the Social Security Administration's (SSA) Master Beneficiary Record (MBR) a data extract of 178,462 widow(er)s in current pay status who were eligible after 1985 but not receiving a widow(er)'s indexing primary insurance amount (WINDEX PIA) as of February 2014.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, United States Code, Public Law, and SSA's Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations, Systems, and Policy;
- reviewed a random sample of 275 widow(er)s who were eligible for a WINDEX PIA;
- reviewed queries from SSA's MBR, Informational Certified Earnings Record, and Interactive Computation Facility; and
- determined the amount of benefits payable to widow(er)s eligible for a higher monthly benefit amount as of December 2015.

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 July and December 2015. The entities audited were the Offices of Operations and Systems under 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

From all segments of the Social Security Administration’s (SSA) Master Beneficiary Record, we obtained a data extract of 178,462 widow(er)s receiving benefits that did not have a widow(er)’s indexing primary insurance amount (WINDEX PIA) even though the deceased wage earners died before they attained age 62. From this population, we selected a random sample of 275 beneficiaries for review. The following tables provide the details of our sample results and statistical projections.

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	178,462
Sample Size	275

Eligible for a Higher Widow(er)s Monthly Benefit

Of the 275 widow(er)s in our sample, SSA underpaid \$344,539, to 39 widow(er)s. Projecting our sample results to the population of 178,462 widow(er)s, we estimate that SSA underpaid approximately \$224 million to 25,309 beneficiaries.

Table B–2: Eligible for a Higher Widow(er)s Monthly Benefit

Description	Beneficiaries	Payments
Sample Results	39	\$344,540
Point Estimate	25,309	\$223,589,848
Projection – Lower Limit	19,352	\$143,352,602
Projection – Upper Limit	32,319	\$303,827,095

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

WINDEX PIA Not Recorded on the Master Beneficiary Record

Of the 275 widow(er)s in our sample, SSA did not record on the Master Beneficiary Record that benefits for 17 widow(er)s were paid based on a WINDEX PIA. Projecting our sample results to the population of 178,462 widow(er)s, we estimate that SSA did not record on the Master Beneficiary Record that benefits for 11,032 widow(er)s were paid based on a WINDEX PIA.

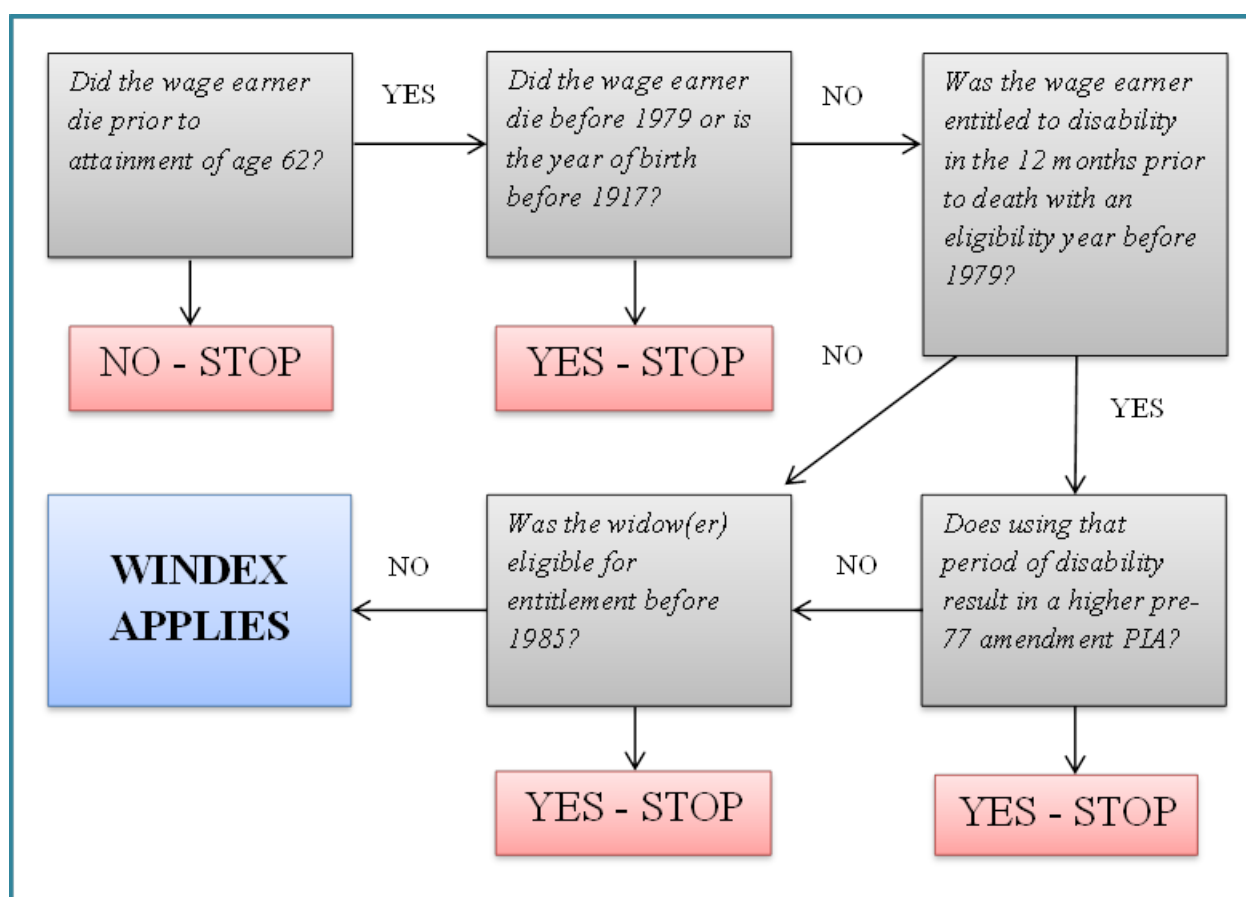
Table B-3: Incorrectly Annotated the WINDEX PIA

Description	Beneficiaries
Sample Results	17
Point Estimate	11,032
Projection – Lower Limit	7,100
Projection – Upper Limit	16,287

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

Appendix C – STEPS TO DETERMINE WHETHER A WIDOW(ER)’S INDEXING PRIMARY INSURANCE AMOUNT APPLIES

According to policy,¹ when a wage earner dies before he/she attains age 62, the Social Security Administration (SSA) usually computes survivors’ benefits using the year of death as the eligibility year. However, in 1983, amendments to the *Social Security Act* provided for an alternative computation when a widow(er) becomes first eligible for benefits in 1985 or later and the wage earner dies before age 62. This alternative method, can result in a higher monthly benefit amount payable to widow(er)s. SSA employees must follow the steps below to determine whether a widow(er)’s indexing primary insurance amount (WINDEX PIA) applies.



¹ SSA, POMS, RS 00615.302 (June 5, 2006).

Appendix D– AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: March 30, 2016 **Refer To:** SIJ-3

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

From: Frank Cristaudo /s/
Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, “Underpayments Payable to Widow(er)s Eligible for a Higher Monthly Benefit Amount” (A-09-14-34103)--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 DRAFT REPORT,
“UNDERPAYMENTS PAYABLE TO WIDOW(ER)S ELIGIBLE FOR A HIGHER
MONTHLY BENEFIT AMOUNT” (A-04-15-50070)**

Please see our responses to the specific recommendations below.

Recommendation 1

Take appropriate action for the remaining 29 widow(er)s eligible for a higher monthly benefit identified by our audit.

Response

We agree. We will take action on the cases when a higher monthly benefit is due based on application of a WINDEX PIA.

Recommendation 2

Take appropriate actions to record a WINDEX PIA indicator on the MBR for the 17 widow(er)s identified by our audit.

Response

We agree. We will take the appropriate action to code WINDEX PIA information on the MBR for the 17 widow(er)s identified.

Recommendation 3

Evaluate the results of its corrective action for the widow(er)s identified by our audit and determine the appropriate action for the remaining population of widow(er)s who may be eligible for a higher monthly benefit.

Response

We agree. We will evaluate the results of recommendations 1 and 2 to determine the appropriate action for the remaining cases. We will complete the evaluation by September 30, 2016.

Recommendation 4

Determine whether it should develop a systems alert to detect when a WINDEX PIA should apply.

Response

We agree. We will determine the feasibility of adding an alert.

Appendix E – ACKNOWLEDGMENTS

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

Andrew Hanks, Senior Program Analyst

Wilfred Wong, Audit Data Specialist

Charles Zaepfel, IT Specialist

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor

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