

# Report Summary

Social Security Administration Office of the Inspector General

April 2012



## Objective

To determine whether the Social Security Administration (SSA) correctly paid beneficiaries whose annual report data on the Master Beneficiary Record (MBR) exceeded their earnings on the Master Earnings File (MEF).

## Background

Beneficiaries who are younger than full retirement age and earn an amount in wages, self-employment income, or both over the annual exempt amount receive reduced benefits. In Calendar Year 2008, the annual exempt amount was \$13,560. To ensure compliance, SSA compares annual report data recorded on the MBR with earnings data recorded on the MEF. This process, called the Earnings Enforcement Operation (EEO), detects improper payments that may have occurred during the year. In a 2007 audit, we found that the EEO did not select beneficiaries who had annual report data on the MBR that was higher than the amount on the MEF.

To view the full report, visit <http://oig.ssa.gov/audits-and-investigations/audit-reports/A-09-11-11128>

## *Annual Earnings Test Underpayments Payable to Beneficiaries* (A-09-11-11128)

### Our Findings

SSA improperly paid beneficiaries whose MBR annual report data exceeded their earnings on the MEF. We estimated that SSA improperly paid 10,644 beneficiaries about \$15 million during Calendar Years 2005 through 2008. In addition, unless SSA revises the EEO, we estimated it would improperly pay about \$3.7 million, annually, to 2,661 beneficiaries.

The improper payments occurred because SSA's policy is to exclude from the EEO beneficiaries whose MBR annual report data exceeded the earnings recorded on SSA's MEF. Finally, we found that SSA should not rely on the annual report data on the MBR to determine whether beneficiaries were properly paid. Specifically, we found that annual report data on the MBR (1) were estimated amounts, (2) contained obvious recording errors, and (3) included earnings that were not subject to the annual earning test.

### Our Recommendations

We recommended that SSA:

1. Take corrective action, as appropriate, for the 94 beneficiaries identified by our audit. Based on the results of the corrective action for the 94 beneficiaries, develop a cost-effective method to identify all improperly paid beneficiaries whose MBR annual report data exceeded the amount of earnings on the MEF since Calendar Year 2005.
2. Review its policies, procedures, and systems concerning earnings and benefit computations to provide accurate results for Title II beneficiaries.

SSA agreed with all our recommendations.