

Summary of Individuals Hiding Self-Employment Income to Receive Disability Insurance Benefits
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Objective

Our objective was to identify individuals receiving Disability Insurance (DI) benefits who participated in self-employment activities and concealed the income by reporting it under another person's Social Security number (SSN).

Background

Self-employed individuals annually report self-employment income (SEI) to the Internal Revenue Service. The IRS then provides the Social Security Administration (SSA) this SEI information, which is posted to SSA's Master Earnings File and used to determine eligibility for retirement, survivors, disability, and health insurance benefits as well as to calculate benefit amounts. Reporting SEI under another person's SSN could make an individual appear to be eligible for DI benefits when he/she is not eligible.

Our Findings

We found that 5 (10 percent) of the 50 beneficiaries we reviewed were engaged in self-employment activities and concealed their income by reporting it under their spouses' SSNs. Of these five beneficiaries, three inappropriately received benefits totaling approximately \$348,000, and their auxiliaries inappropriately received about \$77,000. Further, we estimate that these three beneficiaries would have continued receiving benefits totaling approximately \$44,000, and their auxiliaries would have received \$5,100, over a 1-year period had the SEI not been discovered.

While the remaining two beneficiaries were engaged in self-employment activities and concealed their income by reporting it under their spouse's SSN, SSA did not find that the beneficiaries were overpaid.

Our Recommendations

The analysis we undertook for a sample of beneficiaries was labor-intensive. This analysis yielded a small number of beneficiaries actually concealing SEI. Therefore, we cannot recommend that the Agency integrate such a process into its procedures. However, we would be willing to work with SSA to develop a more sophisticated method for profiling cases where individuals are concealing SEI while receiving DI benefits