

Retirement Claim Denials Because of Lack of Insured Status

A-09-14-34107



January 2016

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) properly denied retirement applications for lack of insured status.

Background

Insured status is the earnings requirement an individual must meet to establish entitlement to retirement benefits. The claimant must be fully insured, have attained age 62, and have applied for benefits.

Before denying a retirement claim for lack of insured status, SSA employees must complete all development for lag earnings and resolve all earnings discrepancies and coverage issues.

SSA employees should not deny a claim for lack of insured status if the individual will be insured within 4 months of the month of adjudication and evidence of earnings for the qualifying quarter is available.

Under the "deemed filing" provision, 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.

From January 2004 to April 2014, SSA denied 686,237 retirement claims for lack of insured status. From this, we identified 5,257 individuals who may have been insured because they had 40 or more quarters of coverage in the year they applied for benefits.

Findings

SSA needs to improve its controls to ensure it does not deny retirement benefits to individuals who are fully insured. Based on our random sample, we estimate that SSA denied retirement benefits to 3,575 fully insured individuals from January 2004 to April 2014. Of these, 3,154 individuals were entitled to \$20.8 million in retirement benefits.

Generally, this occurred because (1) SSA employees did not review earnings or develop for lag earnings, and (2) claimants did not report, or provide proof of, earnings to SSA. We also found that SSA employees should have determined whether individuals whom it subsequently awarded retirement benefits should have had an earlier month of entitlement based on a prior application it had denied for lack of insured status.

Recommendations

We recommend that SSA:

1. Take corrective action to award retirement benefits, as appropriate, to the 68 individuals identified by our audit.
2. Evaluate the results of its corrective action for the 68 individuals and determine whether it should review the remaining population of 5,157 individuals.
3. Remind employees to (1) develop for lag earnings if a claimant's eligibility to retirement benefits is dependent on those earnings and (2) review the prior retirement applications for individuals who file a new claim and may be entitled to additional benefits based on an earlier filing date.

SSA agreed with our recommendations.