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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**BENEFITS PAID  
TO DUALY ENTITLED  
TITLE II BENEFICIARIES**

**August 2006      A-01-06-26004**

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**AUDIT REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

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- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

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- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

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## SOCIAL SECURITY

### MEMORANDUM

Date: August 7, 2006

Refer To:

To: The Commissioner

From: Inspector General

Subject: Benefits Paid to Dually Entitled Title II Beneficiaries (A-01-06-26004)

### OBJECTIVE

Our objective was to determine if dually entitled Title II beneficiaries were entitled to the benefits paid to them.

### BACKGROUND

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance program under Title II of the Social Security Act.<sup>1</sup> The program provides monthly benefits to retired or disabled workers and their families and to survivors of deceased workers.

### DUAL ENTITLEMENT

Dual entitlement exists when a beneficiary is entitled to more than one benefit at the same time. For example, a beneficiary may be entitled to retirement benefits on his or her own earnings record and spouse's benefits on another person's earnings record. Although a beneficiary may be simultaneously entitled to more than one benefit, the total benefit may not be greater than the highest single benefit amount to which he or she is entitled. Generally, SSA calculates the amounts due and combines the benefits into one monthly payment.<sup>2</sup> In December 2004, about 6.4 million retired or disabled workers were entitled to receive benefits on multiple records.<sup>3</sup>

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<sup>1</sup> Social Security Act § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

<sup>2</sup> SSA, POMS, GN 02401.025. Generally, benefits are combined into one monthly payment unless they are derived from different trust funds.

<sup>3</sup> This includes 6,229,670 retired workers and 201,468 disabled workers who were dually entitled. See *SSA Annual Statistical Supplement, 2005* (Table 5.G1), issued February 2006 and *Annual Statistical Report on the Social Security Disability Insurance Program, 2004* (Table 25), issued March 2006.

## ADMINISTRATIVE FINALITY

Once SSA determines the payment amount due a beneficiary, that determination may be reopened and revised later under certain conditions. The discretionary rules that SSA uses to reopen and revise determinations are known as the rules of administrative finality. Generally, under administrative finality, SSA will only revise an incorrect Title II benefit calculation which resulted in payment of more benefits than were due if the error is discovered within 4 years.<sup>4</sup> Conversely, if the error is discovered after 4 years, the Agency will not adjust the payment amounts.

If administrative finality is applied, an adjustment will only be made when SSA makes a new payment determination—such as when benefits are converted from disability to retirement upon a beneficiary's attainment of full retirement age.<sup>5</sup> If a new determination is not made, the payment amounts will not be adjusted and will continue until death. According to SSA, these rules protect beneficiaries from the inconvenience or hardship that could result from the correction of an Agency error.<sup>6</sup>

## METHODOLOGY

During a prior audit, we identified situations in which it appeared benefits to dually entitled beneficiaries were not correctly adjusted and, as a result, overpayments went undetected.<sup>7</sup> For this reason, we initiated our current review. To accomplish our objective, we identified a population of 1,560 beneficiaries whose benefit payments appeared to exceed the maximum amount they were entitled to receive. We randomly selected 200 records from this group for detailed analysis and requested the assistance of SSA's Office of Operations to review the payment amounts and take corrective action as needed. (For additional information about our scope, methodology and sample results, see Appendix B.)

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<sup>4</sup> In some situations, revisions may be made beyond 4 years (for example, if fraud is involved). See 20 C.F.R. §§ 404.987-404.996. See also SSA, POMS, GN 04020.

<sup>5</sup> SSA does not currently have written guidance that specifically instructs staff to correct errors in the payments (which were previously barred from correction under administrative finality) when disability beneficiaries attain full retirement age and their benefits are converted from disability to retirement benefits. However, SSA's Office of Payment Policy informed us in February 2006 that instructions were being developed.

<sup>6</sup> SSA, Benefit Authorizer Basic Training Program, Administrative Finality (BA-08, 2003-1), p. 387.

<sup>7</sup> SSA OIG, *Individuals Receiving Benefits Under Multiple Social Security Numbers at the Same Address* (A-01-05-25002), April 2005.

## RESULTS OF REVIEW

Generally, we found the beneficiaries in our population were not entitled to all of the benefits paid to them. Based on the results of our sample, we estimate that SSA incorrectly calculated the payment amounts that were due to about 1,412 beneficiaries. In many cases, the errors occurred when SSA employees took action to combine benefits from separate records into one monthly payment. We estimate the total effect of these calculation errors is approximately \$37.6 million, including about \$23.0 million in benefits already paid by SSA and about \$14.6 million in future benefit payments.

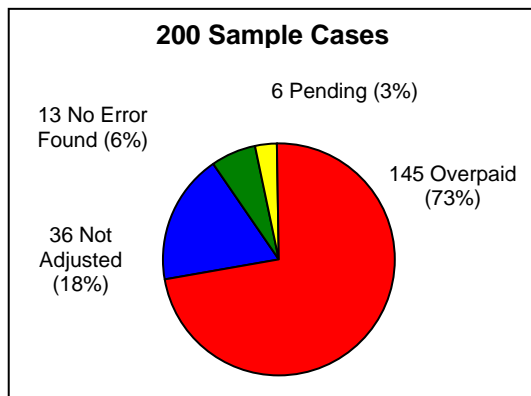
The estimated \$23.0 million includes:

- about \$15.3 million that was paid to beneficiaries and is subject to recovery efforts; and
- about \$7.7 million that was paid to beneficiaries but will not be recovered because SSA applied its administrative finality rules and the records were not adjusted.

Further, the estimated \$14.6 million includes:

- about \$4.3 million that will be paid over the next 12 months unless the Agency takes action to correct the payment errors; and
- about \$10.3 million that will be paid until the beneficiaries attain full retirement age or die, because SSA applied its administrative finality rules and the records were not adjusted.

## SAMPLE RESULTS



Of the 200 cases we sampled:

- 145 had improper payments and, as a result of our review, the Agency took corrective action and assessed about \$2.0 million in overpayments;<sup>8</sup>
- 36 were not adjusted because of administrative finality;
- 13 did not involve payment errors;<sup>9</sup> and
- 6 cases were still being reviewed by SSA as of July 2006.

<sup>8</sup> As of July 2006, SSA recovered about \$261,000 (or 13 percent) of the assessed overpayments.

<sup>9</sup> This includes 5 cases in which incorrect Social Security numbers were posted on the benefit records (and the beneficiaries were not actually receiving benefits on more than one record). In 5 other cases, the combined benefits were not higher than what the beneficiary was entitled to receive. For the remaining 3 cases, the Agency netted the beneficiaries' overpayments with the underpayments that were due other beneficiaries on the records and no net overpayments resulted.

### **Dual Entitlement Payments Corrected Based on Audit**

In total, 145 beneficiaries in our sample were incorrectly paid approximately \$2.0 million. We estimate SSA would have paid about \$556,565 to these beneficiaries over the next 12 months if the payment errors were not corrected.

For example, one beneficiary was dually entitled to both a retirement benefit and a spouse's benefit beginning in April 1996. Because the two benefits were derived from the same trust fund, they were combined and issued as one monthly payment. In November 2002, upon the death of the beneficiary's husband, an SSA employee took action to convert the spouse's benefit to a widow's benefit and added the additional benefits due her to her retirement benefit payments. However, at the same time, the employee incorrectly initiated widow's benefit payments on the deceased's record. As a result, the widow's benefit was paid twice. Based on our audit, the Agency corrected the records and assessed an overpayment of \$25,477. We estimate SSA would have overpaid this beneficiary about \$8,796 over the next 12 months if the payment error had not been corrected.

In another case, a beneficiary was dually entitled to both a disabled worker's benefit and a widow's benefit beginning July 2000. The two benefits were paid separately because they were derived from different trust funds. In November 2003, the beneficiary attained her full retirement age and her disability benefits were converted to retirement benefits. Because retirement benefits and widow's benefits are derived from the same trust fund, an SSA employee took action to combine the benefits into one monthly payment. However, the employee did not stop the benefit payments that were being issued on the other account and, as a result, the widow's benefit was paid twice. Based on our audit, the Agency corrected the records and assessed an overpayment of \$27,301. We estimate SSA would have overpaid this beneficiary about \$13,296 over the next 12 months if the payment error had not been corrected.

### **Benefits Not Adjusted Because of Administrative Finality**

In 36 cases, Agency staff invoked administrative finality and the payment amounts were not adjusted.<sup>10</sup> We estimate these individuals were paid about \$1.0 million more than they would have been paid had the errors not occurred. However, because of administrative finality, the Agency will not recover these funds. Further, because the ongoing benefit amounts were not adjusted, SSA will pay about \$1.3 million to these beneficiaries that they would not otherwise be entitled to receive if the calculation errors had not occurred.<sup>11</sup>

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<sup>10</sup> We did not determine whether SSA staff applied administrative finality in accordance with the Agency's policies. We plan to conduct further research in this area and may initiate a separate audit of administrative finality in the future.

<sup>11</sup> Our calculations assume the higher benefits will continue to be paid until: (1) the disability beneficiaries attain full retirement age and SSA makes new payment determinations, or (2) the retirement beneficiaries die. For our estimates, we used the life expectancies as reported by the Center for Disease Control (National Vital Statistics Report, Vol. 54, No. 14, April 19, 2006, Tables 2 and 3).

For example, in November 1998, an SSA employee combined a beneficiary's retirement and survivor's benefits into one payment but did not take action to stop the survivor's benefit that was being paid on another record. Because the error was not detected until our audit and more than 4 years had elapsed, SSA staff invoked administrative finality and did not adjust the benefits. We estimate the Agency paid this individual about \$17,866 more than she would have been paid had the calculation error not occurred. Further, because the payments were not adjusted, we estimate the Agency will pay the beneficiary about \$41,907 more in benefits until her death.

In another case, SSA incorrectly calculated the benefits due a beneficiary who was entitled to receive both a disability benefit and a widow's benefit beginning in January 1995. Because the error was not detected until our audit and more than 4 years had elapsed, SSA invoked administrative finality and did not adjust the benefits. We estimate the Agency paid this individual \$24,672 more than she would have been paid had the calculation error not occurred. In addition, because the ongoing payments were not adjusted, we estimate SSA will pay the beneficiary about \$13,020 more until she reaches full retirement age (in January 2011). At that time, the Agency will make a new determination of payments due when her disability benefit is converted to a retirement benefit and the benefits may be adjusted.

## **CONCLUSIONS AND RECOMMENDATIONS**

Generally, we found the beneficiaries in our population were not entitled to all of the benefits paid to them. Based on the results of our sample, we estimate that SSA incorrectly calculated the payment amounts that were due about 1,412 beneficiaries in our population. We estimate the total effect of these calculation errors is approximately \$37.6 million, including about \$23.0 million in benefits already paid by SSA and about \$14.6 million in future benefit payments.

We recommend that SSA:

1. Review the remaining 1,360 cases in our population to ensure that all overpayments are identified, recorded and pursued for recovery.
2. Remind employees of the proper procedures to follow when combining benefits into one payment.
3. Ensure payment errors are corrected when disability benefits are converted to retirement benefits.

**AGENCY COMMENTS**

SSA agreed with all the recommendations. (See Appendix C.)

A handwritten signature in black ink, appearing to read "Pat O'Carroll Jr.", written in a cursive style.

Patrick P. O'Carroll, Jr.



# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope, Methodology and Sample Results

[APPENDIX C](#) – Agency Comments

[APPENDIX D](#) – OIG Contacts and Staff Acknowledgments

## Acronyms

C.F.R.	Code of Federal Regulations
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

## Scope, Methodology and Sample Results

To accomplish our objective:

- We researched the Social Security Act and the Social Security Administration's (SSA) regulations, policies and procedures related to dual entitlement.
- We obtained from SSA a file of 7.8 million Title II benefit records that contained dual entitlement data and were in pay status as of May 2005.
- We analyzed the file and identified 1,560 beneficiaries whose benefit payments appeared to exceed the maximum amount they were potentially entitled to receive.<sup>1</sup>
- We selected a random sample of 200 records from the population for detailed analysis.
- We researched available data on SSA's systems and/or referred the sample cases to SSA's Office of Operations for review and corrective action.

We conducted our review between November 2005 and March 2006 in Boston, Massachusetts. We determined that the data used for this audit was sufficiently reliable to meet our audit objective. The principal entities audited were SSA Field Offices and Program Service Centers under the Deputy Commissioner for Operations. We conducted our audit in accordance with generally accepted government auditing standards.

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<sup>1</sup> For spouse benefits, we assumed that the beneficiary began receiving the benefits at full retirement age. For child's benefits, we assumed that the primary number-holder was deceased. For beneficiaries entitled to delayed retirement credits, we assumed that they were entitled to the maximum amount of the credit.

## SAMPLE RESULTS AND PROJECTIONS

<b>Table 1: Population and sample size</b>	
Population Size	1,560
Sample Size	200

<b>Table 2: Cases with overpayments</b>	<b>Number of Beneficiaries</b>	<b>Dollars</b>
Identified in Sample	145	\$1,965,778
Point Estimate	1,131	\$15,333,068
Projection Lower Limit	1,049	\$12,577,432
Projection Upper Limit	1,206	\$18,088,703

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

<b>Table 3: Funds SSA would avoid paying over the next 12 months if the erroneous payments are corrected</b>	<b>Number of Beneficiaries</b>	<b>Dollars</b>
Identified in Sample	142	\$556,565
Point Estimate	1,108	\$4,341,205
Projection Lower Limit	1,024	\$3,808,046
Projection Upper Limit	1,184	\$4,874,365

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

<b>Table 4: Funds SSA will not recover because administrative finality prevented the payments from being adjusted</b>	<b>Number of Beneficiaries</b>	<b>Dollars</b>
Identified in Sample	36	\$981,441
Point Estimate	281	\$7,655,238
Projection Lower Limit	218	\$5,078,548
Projection Upper Limit	354	\$10,231,927

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

<b>Table 5: Funds SSA will continue to pay because administrative finality prevented payments from being adjusted</b>	<b>Number of Beneficiaries</b>	<b>Dollars</b>
Identified in Sample	36	\$1,322,079
Point Estimate	281	\$10,312,215
Projection Lower Limit	218	\$6,506,652
Projection Upper Limit	354	\$14,117,779

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

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** July 27, 2006

**Refer To:** S1J-3

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

**From:** Larry W. Dye /s/  
Chief of Staff

**Subject:** Office of the Inspector General (OIG) Draft Report "Benefits Paid to Dually Entitled Title II Beneficiaries" (A-01-06-26004) -- INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "BENEFITS PAID TO DUALY ENTITLED TITLE II BENEFICIARIES" (A-01-06-26004)**

Thank you for the opportunity to review and comment on the draft report. We agree that this is an error-prone workload. Through our own internal controls, we too have found that when benefits are combined on one account, there have been instances where stopping the payment on the other account was overlooked. We have been working to improve the accuracy of these and other workloads through refresher training on recurring problem areas. In the past, we have issued local procedural supplements to help alleviate these improper payments. Below please find our response to the specific recommendations which describe additional actions we plan to take to address these findings.

**Recommendation 1**

The Social Security Administration (SSA) should review the remaining 1,360 cases to ensure that all overpayments are identified, recorded and pursued for recovery.

Response

We agree. We will review the remaining 1,360 cases and initiate collection actions on all overpayments.

**Recommendation 2**

SSA should remind employees of the proper procedures to follow when combining benefits into one payment.

Response

We agree. We will issue a national instruction by September 2006.

**Recommendation 3**

SSA should ensure payment errors are corrected when disability benefits are converted to retirement benefits.

Response

We agree. These situations will be addressed specifically in our September 2006 national instructions.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Judith Oliveira, Director, Boston Audit Division, (617) 565-1765

David Mazzola, Audit Manager, (617) 565-1807

### ***Acknowledgments***

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## **Office of Resource Management**

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