SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

Date: March 30, 2001

Refer To:

To: Larry G. Massanari
Acting Commissioner
of Social Security

From: Inspector General

Payments to Young Spouses and Surviving Spouses Without Child In-Care (A-09-00-10002)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration paid benefits to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. 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.

James G. Huse, Jr.

Attachment

OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

PAYMENTS TO YOUNG SPOUSES AND SURVIVING SPOUSES WITHOUT CHILD IN-CARE

March 2001 **A-09-00-10002**

AUDIT REPORT

Executive Summary

OBJECTIVE

The objective of the audit was to determine whether the Social Security Administration (SSA) paid benefits to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under title II of the Social Security Act (Act). The Act provides benefits to certain spouses, surviving spouses, and divorced spouses of retired or disabled workers. Spouses are eligible for benefits if they are age 62 or older. Spouses under age 62 (young spouses) qualify for benefits if they have in their care an eligible child who is either under age 16 or disabled.

Surviving spouses are eligible for benefits if they are either age 60 or older, or age 50 or older and disabled. Other surviving spouses (young surviving spouses) qualify for benefits if they have in their care an eligible child who is either under age 16 or disabled. Divorced spouses, when married to a retired or disabled worker for at least 10 years immediately before the divorce, may also qualify for benefits.

SSA relies on its automated system to identify and terminate benefit payments to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over. This system uses current information from SSA's beneficiary records to monitor entitlement to benefits and process termination actions. In most cases, these actions are processed automatically. However, for complex cases, the automated system is programmed to generate alerts and exceptions rather than terminate benefits. Actions that are partially processed by SSA's automated system result in alerts while those that cannot be processed at all result in exceptions. Both alerts and exceptions require manual processing to complete the actions.

RESULTS OF REVIEW

Our audit disclosed that, as of August 1999, 357 (91.1 percent) in our population of 392 young spouses and surviving spouses did not have a child in-care under age 16 or a disabled child in-care age 16 or over. These individuals were ineligible for Social Security benefits under the Act. We determined that SSA had improperly paid benefits totaling $406,194 to these individuals. The remaining 35 individuals (8.9 percent) represented young spouses and surviving spouses who should not have been included in our population because their beneficiary status had been misclassified. These individuals were entitled to benefits because they were disabled, had a child in-care, or reached age 60 (for example, aged widow).

The 357 young spouses and surviving spouses received $406,194 in Social Security benefits to which they were not entitled, because SSA had not programmed its automated system to terminate benefits for these individuals, and processing center (PC) employees did not manually process the termination actions in a timely manner. As of August 2000, we determined 147 individuals received $292,125 in overpayments that should have been recovered by SSA. These cases were referred to SSA for corrective action. The remaining 210 individuals received $114,069 in overpayments which should have been offset against underpayments due other individuals in the same family.

CONCLUSIONS AND RECOMMENDATIONS

SSA informed us that it is currently in the process of redesigning its automated system. Although SSA's automated system identifies young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over, it is not programmed to terminate benefits to all of these individuals. Because of shifting workload priorities, SSA should not rely on PC employees to manually process termination actions in a timely manner. Such actions should be processed by SSA's automated system, thereby reducing the amount of overpayments to ineligible beneficiaries. Therefore, we recommend that SSA:

- Modify its automated system to terminate benefits to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over.
- Generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.
- Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for young spouses and surviving spouses without a child in-care are terminated.
- For the 147 cases identified by our audit, take corrective action to ensure that overpayments are established and collection activities are initiated.

AGENCY COMMENTS

In its response, SSA generally agreed with our recommendations. SSA agreed that benefits should be terminated timely for all young spouses and surviving spouses without a child in-care either under age 16 or disabled and age 16 or over. SSA stated that release 3 of title II Redesign will replace its existing programs for processing these cases and address the efficiencies cited in our report. Release 3 is scheduled for implementation by the end of calendar year 2002. SSA also stated that it is not cost-effective to redirect resources from title II Redesign to modify its existing programs.

We agree and encourage SSA to expedite its implementation of title II Redesign to the extent possible.

In addition, SSA stated that its Office of Operations had reviewed the 147 cases identified by our audit and taken corrective action to ensure that overpayments were established and collection activities were initiated. The full text of SSA's comments is included in Appendix A.

OIG RESPONSE

SSA's planned actions adequately address all of our recommendations.

Table of Contents

Page

Acronyms

Act	The Social Security Act
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
ODIO	Office of Disability and International Operations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PC	Processing Center
PSC	Program Service Center
SSA	Social Security Administration

Introduction

OBJECTIVE

The objective of the audit was to determine whether the Social Security Administration (SSA) paid benefits to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under title II of the Social Security Act (Act). The Act provides benefits to certain spouses, surviving spouses, and divorced spouses of retired or disabled workers.[1] Spouses are eligible for benefits if they are age 62 or older. Spouses under age 62 (young spouses) qualify for benefits if they have in their care an eligible child who is either under age 16 or disabled.

Surviving spouses are eligible for benefits if they are either age 60 or older, or age 50 or older and disabled. Other surviving spouses (young surviving spouses) qualify for benefits if they have in their care an eligible child who is either under age 16 or disabled. Divorced spouses, when married to a retired or disabled worker for at least 10 years immediately before the divorce, may also qualify for benefits.

SSA relies on its automated system to identify and terminate benefit payments to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over. This system uses current information from SSA's beneficiary records to monitor entitlement to benefits and process termination actions. In most cases, these actions are processed automatically. However, for complex cases, the automated system is programmed to generate alerts and exceptions rather than terminate benefits. Actions that are partially processed by SSA's automated system result in alerts while those that cannot be processed at all result in exceptions. Both alerts and exceptions require manual processing to complete the actions.

SSA Processed 67,209 Termination Actions in 1998

During Calendar Year 1998, SSA processed a total of 67,209 termination actions for spouses and surviving spouses whose last nondisabled child reached age 16.[2] This amount included 30,181 termination actions for spouses and 37,028 termination actions for surviving spouses. For 95 percent of these individuals, SSA's automated system terminated their benefits when the last nondisabled child reached age 16. For the remaining 5 percent, the automated system

[1] 20 C.F.R. §§ 404.330, 404.331, 404.335, and 404.339.

[2] Annual Statistical Supplement, 1999 to the Social Security Bulletin, table 6.F2.

generated exceptions, which allowed the individuals to receive benefits until the exceptions were resolved and termination actions were processed. Such actions were performed by employees at one of SSA's seven processing centers (PC).

SCOPE AND METHODOLOGY

Based on SSA's Master Beneficiary Record (MBR), we obtained a data extract of all young spouses and surviving spouses who did not have a child in-care under age 16 or a disabled child in-care age 16 or over. Our population consisted of 392 young spouses and surviving spouses in current pay status as of August 1999.[3] These spouses and surviving spouses were under age 62 and 60, respectively. However, according to the MBR, they did not have a child of the worker in their care either under age 16 or disabled.

To accomplish our objective, we:

- reviewed the applicable sections of the Act and SSA's Program Operations Manual System;
- conducted interviews with employees from the Western and Northeastern Program Service Centers (PSC) and SSA's Headquarters, including the Office of Systems Requirements and Office of Disability and International Operations (ODIO);[4]
- extracted a population of 392 young spouses and surviving spouses in current pay status who, according to the MBR, did not have a child in-care under age 16 or a disabled child in-care age 16 or over;
- obtained queries from SSA's MBR, Payment History Update System, and Recovery of Overpayments, Accounting, and Reporting system; and
- reviewed the termination actions taken by SSA's seven PCs (Northeastern PSC, Mid-Atlantic PSC, Southeastern PSC, Great Lakes PSC, Western PSC, Mid-America PSC, and ODIO).

As part of our audit, we determined whether SSA had terminated benefit payments in a timely manner to young spouses and surviving spouses when their last nondisabled child reached age 16. We monitored the status of the 392 cases in our population to ensure that termination actions were taken by SSA. Where necessary, we referred cases to the PCs for development.

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[3] The original data extract contained 393 young spouses and surviving spouses in current pay status. To validate the reliability of the data, we obtained queries from SSA's beneficiary records and determined that one of these cases was actually in suspended pay status. As a result, we eliminated this case from our population and reviewed a total of 392 cases during the audit.

[4] Renamed as the Office of Central Operations.

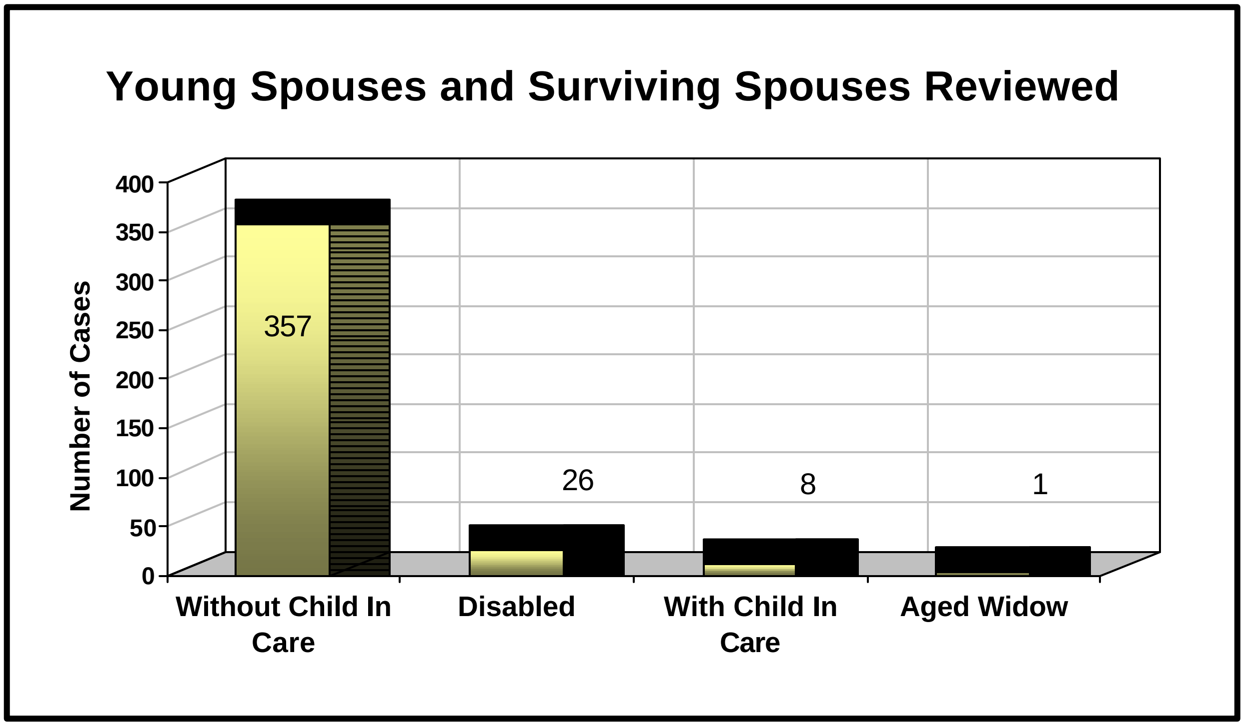
In accordance with the Federal Managers' Financial Integrity Act and related Office of Management and Budget (OMB) guidance,[5] Brown and Company performed tests of SSA's internal controls over the OASDI initial claims and postentitlement systems. These tests included the MBR which was used to extract data for this review. The tests performed by Brown and Company did not disclose any material weaknesses in the MBR. During our audit, we relied on the tests performed by Brown and Company. We also validated the reliability of the extracted data. In addition, we found no evidence to support the need for additional tests of the reliability of computer-based data.

We performed audit work in Baltimore, Maryland, and Richmond, California, between August 1999 and August 2000. The entity audited was the Office of Program Benefits within the Office of the Deputy Commissioner for Disability and Income Security Programs. We conducted our audit in accordance with generally accepted government auditing standards.

[5] OMB Circular A-123, *Internal Control Systems*; OMB Circular A-127, *Financial Management Systems*; and OMB Circular A-130, *Management of Federal Information Resources*.

Results of Review

Our audit disclosed that, as of August 1999, 357 (91.1 percent) in our population of 392 young spouses and surviving spouses did not have a child in-care under age 16 or a disabled child in-care age 16 or over. These individuals were ineligible for Social Security benefits under the Act. We determined that SSA had improperly paid benefits totaling $406,194 to these individuals. The remaining 35 individuals (8.9 percent) represented young spouses and surviving spouses who should not have been included in our population because their beneficiary status had been misclassified. These individuals were entitled to benefits because they were disabled, had a child in-care, or reached age 60 (aged widow). For the 392 young spouses and surviving spouses in our population, the results of our audit are summarized below.

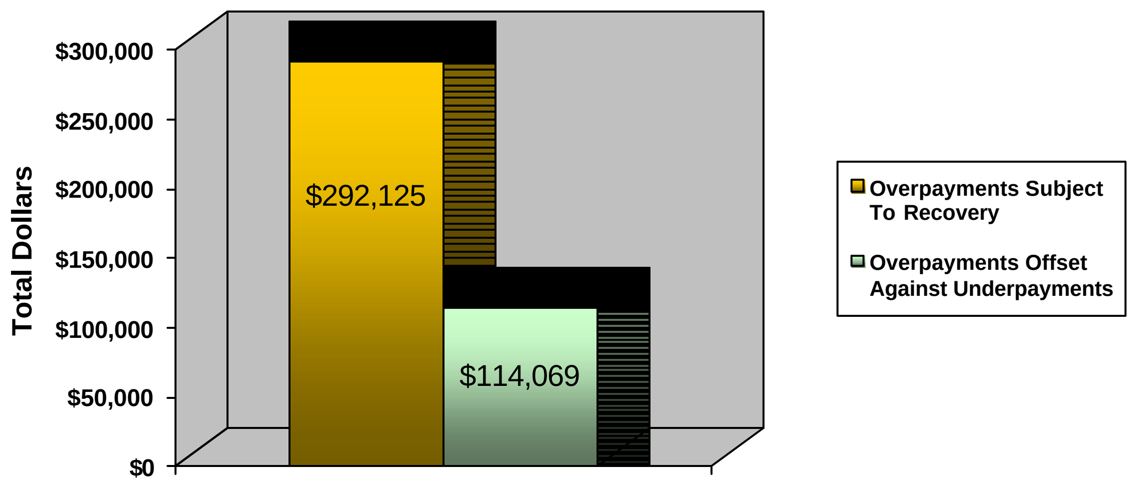


INCORRECT PAYMENTS TO YOUNG SPOUSES AND SURVIVING SPOUSES

357 Individuals Received $406,194 in Overpayments

We found 357 young spouses and surviving spouses received $406,194 in Social Security benefits to which they were not entitled. This occurred because SSA had not programmed its automated system to terminate benefits for these individuals, and PC employees did not manually process the termination actions in a timely manner. As of August 2000, we determined 147 individuals received $292,125 in overpayments which should have been recovered by SSA. These cases were referred to SSA for corrective action. The remaining 210 individuals received $114,069 in overpayments which should have been offset against underpayments due other individuals in the same family. The following chart provides a breakdown of the total overpayments questioned by our audit.

Overpayments to Young Spouses and Surviving Spouses



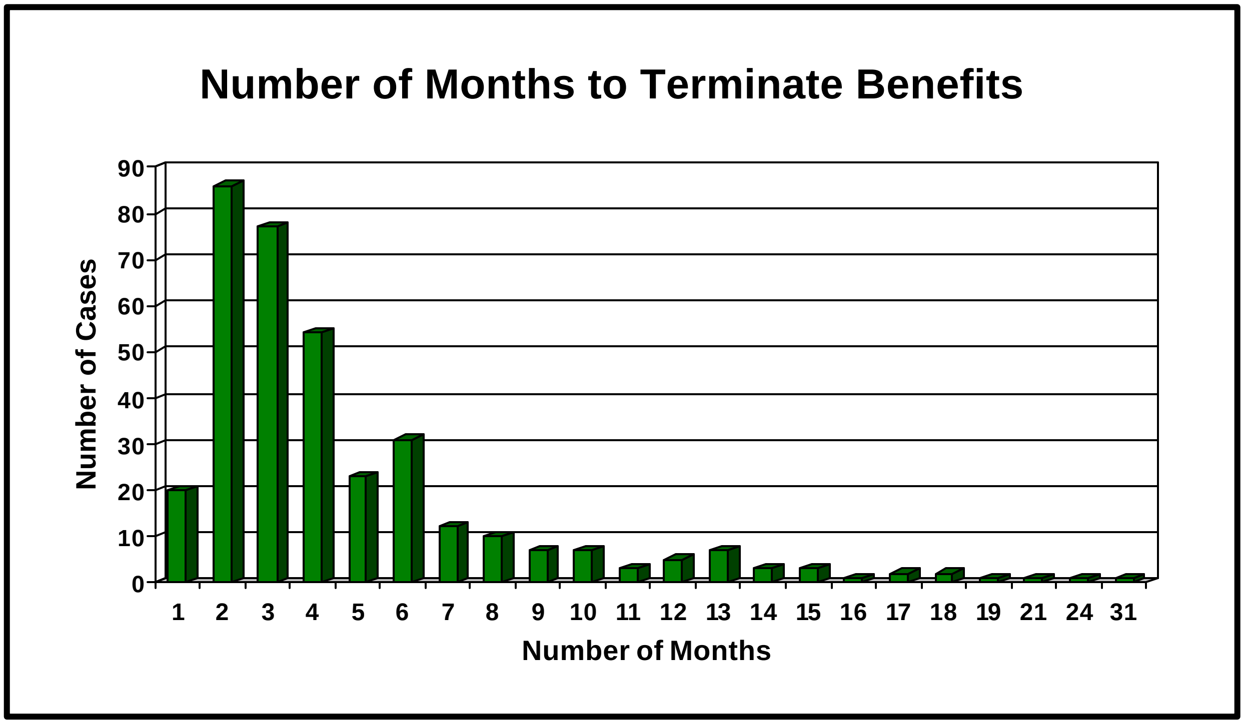
Delays in Manual Processing of Termination Actions

SSA relies on its automated system to identify and terminate benefit payments to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over. In most cases, these termination actions are processed automatically. However, for complex cases, SSA's automated system is not programmed to process the termination actions. These cases include spouses and surviving spouses who receive benefits on the earnings record of one worker and children who receive benefits on the earnings record of another worker, and spouses and surviving spouses who receive worker's compensation benefits.

For example, when spouses become disabled because of work-related injuries, they often receive worker's compensation benefits. Accordingly, the amount of disability benefits paid to the spouse and his or her dependents may be reduced by the amount of worker's compensation benefits. Such cases are complex because terminating benefits for one family member may affect the benefits payable to other family members. As a result, SSA's automated system generates an exception and neither terminates nor recalculates benefit payments in these instances.

Amount of Time to Terminate Benefits Averaged 4.7 Months

These exceptions require PC employees to manually process termination actions and recalculate benefit payments. However, we found that PC employees did not always review the exceptions and take prompt corrective action. Because of other duties, they placed the exceptions into their backlogged workloads to be processed at a later date. For the 357 young spouses and surviving spouses in our population who did not have a child in-care, the amount of time required to terminate their benefits averaged 4.7 months. As depicted in the chart below, the actual time required to process the exceptions ranged from 1 to 31 months. Since these individuals remained in current pay status during this period, they continued to receive benefits to which they were not entitled until the termination actions were processed.

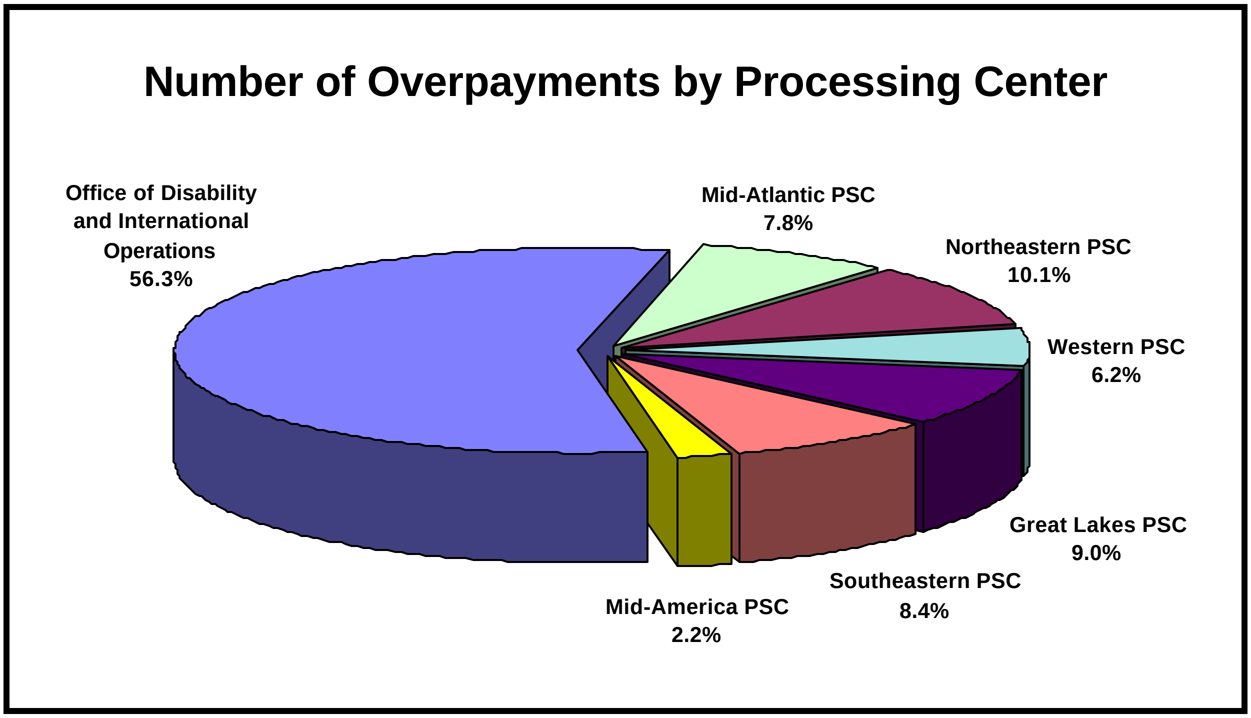


According to SSA employees,[6] the primary workloads for the PCs consisted of (1) providing service to the public through SSA's 800-number, (2) processing initial awards for Social Security benefits, (3) assisting with cases under review by administrative law judges, (4) suspending and reinstating benefits to prisoners, and (5) disbursing fees to attorneys who represent claimants in legal proceedings. All other workloads, including resolving alerts and exceptions generated by SSA's automated system, are processed as time permits.

[6] Staff members from ODIO and Western PSC.

About One-Half of Overpayments Occurred at ODIO

We determined 201 of the 357 overpayments (56.3 percent) occurred at ODIO, of which 170 cases involved overpayments that should have been offset against underpayments due other individuals in the same family. Although workload backlogs and staff reductions contributed to these overpayments, ODIO is responsible for processing claims under the Disability Insurance program, which includes a disproportionate number of complex cases involving worker's compensation benefits. The remaining 156 overpayments (43.7 percent) occurred at the 6 PSCs, of which 116 cases involved overpayments that should have been recovered by SSA. These error rates are illustrated in the following chart.



SSA's Automated System Could Be Improved

In March 2000, SSA informed us that it is currently in the process of redesigning its automated system. Although SSA's automated system identifies young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over, it is not programmed to terminate benefits to all of these individuals. The automated system is programmed to generate exceptions, which allow the young spouses and surviving spouses to remain in current pay status until the exceptions are subsequently resolved and termination actions are manually processed.

We believe that SSA should not rely on manual processing by PC employees because there may be significant delays before the exceptions are resolved and benefits are terminated. Furthermore, if the exceptions are inadvertently misplaced or discarded, there is a risk that the termination actions may not be processed at all. To prevent future occurrences of similar problems, we believe the termination actions should be automated and automatic when the last nondisabled child reaches age 16. Such a system should improve the integrity of the program and deter the opportunity for fraud, waste, and abuse.

Therefore, to reduce the potential for overpayments, we recommend that SSA modify its automated system to terminate benefits to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over. After benefits have been terminated, the automated system should generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.

In addition, we recognize that delays in processing these alerts and exceptions may result in underpayments to other family members who are eligible for benefits. Consequently, to reduce the potential for underpayments, we recommend that SSA evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for young spouses and surviving spouses without a child in-care are terminated.

Conclusions and Recommendations

Our audit disclosed that, as of August 1999, 357 (91.1 percent) in our population of 392 young spouses and surviving spouses did not have a child in-care under age 16 or a disabled child in-care age 16 or over. This occurred because SSA had not programmed its automated system to terminate benefits for these individuals, and PC employees did not manually process the termination actions in a timely manner. As of August 2000, we determined 147 individuals received $292,125 in overpayments that should have been recovered by SSA. These cases were referred to SSA for corrective action. The remaining 210 individuals received $114,069 in overpayments which should have been offset against underpayments due other individuals in the same family.

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1. Modify its automated system to terminate benefits to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over.

2. Generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.

3. Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for young spouses and surviving spouses without a child in-care are terminated.

4. For the 147 cases identified by our audit, take corrective action to ensure that overpayments are established and collection activities are initiated.

AGENCY COMMENTS

In its response, SSA generally agreed with our recommendations. SSA agreed that benefits should be terminated timely for all young spouses and surviving spouses without a child in-care either under age 16 or disabled and age 16 or over. SSA stated that release 3 of title II Redesign will replace its existing programs for processing these cases and address the efficiencies cited in our report. Release 3 is scheduled for implementation by the end of calendar year 2002. SSA also stated that it is not cost-effective to redirect resources from title II Redesign to modify its existing programs. We agree and encourage SSA to expedite its implementation of title II Redesign to the extent possible.

In addition, SSA stated that its Office of Operations had reviewed the 147 cases identified by our audit and taken corrective action to ensure that overpayments were established and collection activities were initiated. The full text of SSA's comments is included in Appendix A.

OIG RESPONSE

SSA's planned actions adequately address all of our recommendations.

Appendices

Agency Comments

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "PAYMENTS TO YOUNG SPOUSES AND SURVIVING SPOUSES WITHOUT CHILD IN-CARE" A-09-00-10002

We appreciate the opportunity to comment on the draft report. Following are our comments on the recommendations.

OIG Recommendation 1-3

- Modify its automated system to terminate benefits to young spouses and surviving spouses without a child in-care under age 16 or a disabled child in-care age 16 or over.
- Generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.
- Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for young spouses and surviving spouses without a child in-care are terminated.

SSA Comment to Recommendations 1- 3

We agree that benefits should terminate timely for all young and surviving spouses without a child in-care either under age 16 or disabled and age 16 or over. As indicated in the draft report, 95 percent of these cases are terminated timely by an automated system (TASTE). For the remaining 5 percent of cases, complex case characteristics, such as workers' compensation, dual entitlement alien taxation, prevent the automated benefit termination and adjustment to remaining auxiliaries. Cases that except from automated processing are sent to the Program Service Centers for manual processing. These cases are screened as they come in and simpler cases are worked first. More complex cases are processed in the order they are received, after priority workloads, e.g., initial awards.

SSA has long recognized that software advances can process many currently excepted case characteristics. For this reason, the Agency has pursued and continues to pursue redesign of its title II systems. Effective with title II redesign release 3, which will subsume current TASTE processes and address other efficiencies discussed in the OIG report, the TASTE program will be retired. Consequently, we do not believe it is cost-effective to redirect resources from title II redesign to make major changes in TASTE and the other processes that would be required to timely terminate the small percentage of cases now producing exceptions. Release 3 of title II redesign is expected to be implemented late in calendar year 2002.

OIG Recommendation 4

For the 147 cases identified by our audit, take corrective action to ensure that overpayments are established and collection activities are initiated.

SSA Comment

On February 22, 2001, the Office of Operations completed the review of the 147 cases identified by OIG. Corrective action has been taken to ensure that overpayments have been established and that collection activities have been initiated on all of the cases.

OIG Contacts and Staff Acknowledgments

OIG Contacts

William Fernandez, Director, Program Benefits Audit Division, (510) 970-1739

Jack H. Trudel, Deputy Director, (510) 970-1733

Acknowledgments

In addition to those named above:

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Cheryl Robinson, Writer-Editor, Policy, Planning and Technical Services

For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-5998. Refer to Common Identification Number A-09-00-10002.