

# Follow-up on Underpayments Payable to Terminated Old-Age, Survivors and Disability Insurance Beneficiaries

## A-09-19-50848



December 2020

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) took appropriate actions to pay underpayments due terminated beneficiaries and improve controls based on our prior audit recommendations.

### Background

According to SSA policy, an underpayment is any monthly amount due a beneficiary that SSA has not been paid. Terminated beneficiaries include living and deceased beneficiaries who are no longer receiving benefits. SSA should issue underpayments to living terminated beneficiaries after it makes direct contact to obtain a current address and bank information. When underpaid beneficiaries are deceased, SSA should pay the underpayment to a surviving spouse, child, or parent or to the legal representative of the decedent's estate. SSA's systems identify underpayments for terminated beneficiaries and record them as a special payment amount underpayment on the Master Beneficiary Record.

For our current review, we identified 71,088 terminated beneficiaries who, according to the Master Beneficiary Record, had underpayments totaling \$155 million.

### Findings

SSA did not always take proper actions to pay underpayments due terminated beneficiaries. In December 2015, SSA improved systems controls to pay underpayments due deceased beneficiaries to eligible surviving spouses. However, this control does not identify underpayments due to all terminated beneficiaries. For the 100 terminated beneficiaries in our sample, we found

- 39 had underpayments that should be paid to eligible beneficiaries;
- 25 were cases where SSA did not locate the beneficiaries or individuals who were eligible for the underpayments;
- 7 had erroneous underpayments that should have been corrected or removed from the Master Beneficiary Record; and
- 29 were correctly paid or resolved.

This occurred because SSA employees established 74 percent of these underpayments manually, and SSA systems did not generate alerts after they were established. In addition, SSA's corrective actions to address our prior audit recommendations were not sufficient to ensure it resolved and issued underpayments to eligible beneficiaries or individuals.

Based on our random sample, we estimate SSA did not (1) issue payments to 27,724 eligible beneficiaries or individuals due approximately \$52.1 million, (2) locate 17,772 beneficiaries or individuals eligible for approximately \$90.4 million in payments, and (3) remove or correct erroneous payments totaling approximately \$6.7 million recorded on the Master Beneficiary Record for 4,265 beneficiaries.

### Recommendations

We made four recommendations for SSA to take corrective actions for underpayments due terminated beneficiaries.

SSA agreed with our recommendations.