

Office of the Inspector General

Kenneth S. Apfel  
Commissioner of Social Security

Inspector General

Payment of Benefits to Individuals Who Do Not Have Their Own Social Security Number

The attached final report presents the results of our audit of the payment of benefits to individuals who do not have their own Social Security number (SSN) (A-04-96-42000). The objective of the audit was to review Social Security Administration policies and procedures to record and verify SSNs used by auxiliary and survivor beneficiaries before approving title II payments.

You may wish to comment on any further action taken or contemplated on our recommendations. If you choose to offer comments, please provide them within the next 60 days. If you wish to discuss the final report, please call me or have your staff contact Pamela J. Gardiner, Assistant Inspector General for Audit, at (410) 965-9700.

David C. Williams

Attachment

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# EXECUTIVE SUMMARY

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## OBJECTIVE

The objective of this audit was to review Social Security Administration (SSA) policies and procedures to record and verify Social Security numbers (SSN) used by auxiliary and survivor beneficiaries before approving title II payments.

## BACKGROUND

During 1996, SSA paid about \$73 billion to 12.3 million auxiliary and survivor beneficiaries of the Old-Age, Survivors and Disability Insurance (OASDI) program under title II of the Social Security Act.<sup>1</sup> In a report issued by the Department of Health and Human Services, Office of Inspector General (HHS OIG)<sup>2</sup> on January 23, 1987, it was noted that a significant number of auxiliary and survivor beneficiaries who were receiving benefits did not have SSNs recorded or verified in SSA systems. In response to our findings, the Technical and Miscellaneous Revenue Act (Public Law (P.L.) 100-647) was enacted on November 10, 1987. The Act required that after June 1, 1989, all beneficiaries furnish proof of an SSN or evidence of application for an SSN in order to receive benefits.

With the enactment of P.L. 100-647, SSA implemented certain procedures requiring beneficiaries to provide proof of a valid SSN or to apply for an SSN before receiving benefits.<sup>3</sup> For example, SSA procedures now require field offices (FO) to annotate a claimant's SSN on either the Modernized Claims System (MCS) or a manual claim form during the application process. If a claimant does not have an SSN or provides a number that does not reconcile with information contained in other SSA systems, FOs are required to resolve the discrepancy before the claim is placed in current pay status.

In the event that a claimant is issued benefits before an accurate SSN is obtained, SSA implemented the Beneficiary's Own Social Security Number (BOSSN) alert

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<sup>1</sup> OASDI benefits are paid to retired or disabled workers and their qualified dependents or survivors. These dependents or survivors are referred to as auxiliary or survivor beneficiaries.

<sup>2</sup> The HHS OIG report was entitled, *Review of Payments to Auxiliary Beneficiaries Without Their Own Social Security Number* (CIN: A-13-86-62608).

<sup>3</sup> SSA's Program Operations Manual System, RM 00207.035(A)(1) was revised to read, "Although not required for entitlement, each title II claimant entitled June 1989 or later must have and provide an SSN, or must apply for an SSN to receive benefits."

process. With this program, FOs are notified via a BO SSN alert when benefits are awarded to a claimant with either a missing or unverified SSN.<sup>4</sup> The alerts are issued on a bimonthly basis until the correct SSN or name or date of birth has been amended in the appropriate SSA system. Based on data obtained from SSA, the Agency issued BO SSN alerts for 29,705 beneficiaries during the months of March and April 1997.

To accomplish our objective, we reviewed laws, regulations, and SSA procedures requiring SSNs as a condition for receipt of benefits. We also held discussions with SSA personnel to determine the procedures used to process beneficiary claims and resolve BO SSN alerts. Additionally, we analyzed Master Beneficiary Records (MBR) and other appropriate system queries (e.g., Numidents, Alpha-Index reports, and Development Worksheets) for a judgmentally-selected sample of 129 beneficiaries. Because our sample was judgmentally selected, we did not project the results to the total population of unverified or missing SSNs.

We performed our audit work at SSA FOs located in Birmingham and Talladega, Alabama, and via telephone discussions with SSA personnel in Houston, Texas; Orlando, Florida; Mineola, New York; and Las Vegas, Nevada. Field work was performed between October 1996 and September 1997.

## RESULTS OF REVIEW

Although SSA has implemented procedures designed to comply with the provisions of P.L. 100-647, SSA's beneficiary application and payment processes continue to award benefits to auxiliary/survivor claimants with unknown or unverified SSNs. Specifically, during March and April 1997, SSA paid benefits to 29,705 beneficiaries who had missing or unverified SSNs.

Even though FOs were alerted to the missing and discrepant information on a bimonthly basis, we found that the beneficiaries included in our sample had been in current pay status for an average of 3½ years (ranging from 1 month to over 7 years) without any corrective action taken. In total, the 129 beneficiaries examined had been paid \$2.2 million in title II benefits between the dates that they were initially entitled to benefits and April 30, 1997. As such, we believe that further efforts could be taken to strengthen controls within SSA's claims application process to ensure compliance with the law and Agency requirements.

In addition to some times lengthy delays in recording and verifying SSNs, SSA's practice of paying benefits to claimants who have missing or unverified SSNs has an impact on payment accuracy. For example, within a sample of 54 BO SSN

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<sup>4</sup> An "unverified" SSN occurs when a claimant provides an SSN, name, or date of birth that does not reconcile with information already annotated on SSA's Numident master file for that individual.

alerts with missing SSNs, we identified \$19,609 in overpayments and incorrect payments to 4 beneficiaries. Specifically, we identified three beneficiaries with missing SSNs who had exceeded annual earnings limitations and were subsequently overpaid \$4,444. Additionally, we detected another beneficiary with a missing SSN who had died over 2 years before SSA terminated his benefits. As a result, SSA made payments of \$15,165 in error. The above overpayments and incorrect payments were not prevented or detected by SSA because the SSNs were missing from the MBR and, therefore, not matched successfully to annual earnings or State death data.

## RECOMMENDATIONS

We recommend that SSA resolve all outstanding missing and unverified SSNs in a timely manner. We also recommend that SSA recover overpayments made to the three identified beneficiaries who had earnings in excess of the annual limitations and seek restitution of benefits wrongly paid to a claimant after his death.<sup>5</sup>

Additionally, we recommend that SSA improve controls by requiring management approval to override system edits designed to preclude the award of benefits to claimants with an unverified SSN. Finally, we recommend that SSA issue a memorandum to all personnel responsible for processing claim applications that will emphasize the importance of following established procedures so that a proper termination of eligibility can be made.

## AGENCY COMMENTS

In its written response to our draft report, SSA agreed with four of the five recommendations. Specifically, SSA stated that it is already pursuing appropriate remedies for the cases in which overpayments and incorrect payments were identified. Further, SSA plans to issue a memorandum that will: 1) instruct personnel to reduce the number of outstanding alerts; 2) reemphasize the importance of following established procedures; and 3) evaluate similar type cases for indications of fraud and make appropriate referrals to the Office of the Inspector General (OIG).

SSA disagreed with our recommendation that would require SSA management approval to override system edits designed to preclude the award of benefits to claimants with an unverified SSN. In its response, SSA stated that the unverified SSNs result from minor discrepancies between information entered into MCS and information stored on the NumIdent. Further, SSA restated that the OIG audit did not report a monetary effect associated with the sample of beneficiaries with

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<sup>5</sup> We have also referred this matter to Office of the Inspector General's Office of Investigations to assess whether post-death benefit checks were fraudulently negotiated/misused.

unverified SSNs. Therefore, SSA did not believe that requiring a manager's review to override the edit would be cost-effective. Additionally, SSA asserted that this control would impede the processing of the claim. SSA did agree that these discrepancies should be resolved in a timely manner and will issue a memorandum to appropriate staff. (See Appendix A for the full text of the Agency's comments.)

## OIG RESPONSE

Our review disclosed that although SSA has implemented procedures designed to comply with the provisions of P.L. 100-647, we believe that further efforts could be taken to strengthen controls within SSA's claims application process to ensure compliance with legal and Agency requirements. While critical identifying information is compared to SSA's master files for all claimants, an edit does not prevent payment when discrepancies exist. SSA's policy states that if claimant information entered in MCS does not reconcile with information contained in the Modernized Enumeration System (MES), two Development Worksheet issues (items needing resolution) will be propagated. The policy also states that MCS contains a receipt date field in which SSA personnel should enter the date evidence was presented by the claimant to resolve the discrepancy (Development Worksheet issue). However, if SSA personnel want to complete processing of a claim and evidence has not been presented to resolve the discrepancy, they may enter six X's in the receipt date field rather than an actual date.

We believe that the inclusion of six X's (XXXXXX) in the receipt date field of the Development Worksheet without management concurrence circumvents the intent of the control. Consequently, OIG affirms this recommendation and requests that SSA reconsider its position on requiring management approval to override system edits designed to preclude the award of benefits to claimants with an unverified SSN. Further, if FO personnel were required to resolve discrepancies while completing the initial claims application, the need for BOSSN alerts would be reduced significantly.

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# INTRODUCTION

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## OBJECTIVE

The objective of this audit was to review SSA policies and procedures to record and verify SSNs used by auxiliary and survivor beneficiaries before approving title II payments.

## BACKGROUND

During 1996, SSA paid about \$73 billion to 12.3 million auxiliary and survivor beneficiaries of the OASDI program under title II of the Social Security Act. OASDI benefits are paid to retired or disabled workers and their qualified dependents or survivors. SSA maintains records of beneficiaries and benefit payments by account numbers. This account number is the SSN of the wage earner on whose behalf benefits are paid.

### SSA's Claim Application and Approval Procedures

When an auxiliary or survivor claimant applies for title II benefits, the individual is required to provide specific information such as the applicant's name, date of birth, and SSN to an SSA claims representative (CR). Typically, these claims are made in person at an SSA FO by the individual or his or her representative (e.g., parent, guardian, representative payee). Information and evidence required for adjudication of a title II claim is outlined in SSA regulations. Additionally, MCS screens prompt the CR processing the claim to obtain and input required information during the initial interview.

During the claim application process, MCS is compared to SSA's Numident master file.<sup>6</sup> This interface is driven by the SSN entered in MCS for the subject claimant. If any information regarding the claimant does not match data contained in the Numident (e.g., name, date of birth, SSN), a Development Worksheet is propagated indicating that a discrepancy exists with the claimant's SSN. The responsible CR is required to resolve all Development Worksheet issues before the claim is adjudicated and benefits are awarded. In certain cases, the claimant must complete a Form SS-5, Application for a Social Security Number, to correct information contained on the Numident. For example, if the Numident master file shows a beneficiary's maiden name but the person is filing a claim under a married

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<sup>6</sup> The Numident master file contains all relevant enumeration information (e.g., name, date of birth, mother's maiden name, etc.) for each individual number holder.

name, an SS-5 should be completed to revise the Num ident. Along with the SS-5, this applicant would also have to provide evidence to support the name change, such as a marriage certificate.

If a claimant does not have an SSN when he or she applies for benefits, P.L. 100-647 and SSA procedures require that the individual complete an SS-5 before receiving payments.<sup>7</sup> As with all applicants for an SSN, the claimant would be required to provide evidence of age, identity, and U.S. citizenship before a number was issued.

## B0 SSN Alert Process

B0 SSN alerts are generated to FOs when the MBR of an auxiliary or survivor beneficiary who applied for benefits after June 1, 1989, contains an unverified SSN or is missing an SSN. SSA implemented two programs to generate B0 SSN alerts: 1) the Miscellaneous Corrections program, which initiates the B0 SSN unverified alert process; and 2) the Regular Transcript Attainment and Selection Pass program, which initiates the B0 SSN missing alert process.

B0 SSN alerts are issued on a bimonthly schedule, which is based on beneficiaries' initial dates of entitlement. For example, if a claimant became entitled to benefits in January 1990, but did not provide an SSN during the application process, a B0 SSN alert would be generated to the FO that processed the claim every odd-numbered month (e.g., March, May, July, etc.) until the SSN was recorded and verified in the system. If the claimant became entitled in February 1990, but provided a different name or date of birth than already recorded in SSA's Num ident master file, an alert would be issued to the responsible FO every even-numbered month (e.g., April, June, August, etc.) until the discrepant information was resolved and corrected.

## Previous Audit Findings

In an audit report entitled, "Review of Payments to Auxiliary Beneficiaries Without Their Own Social Security Number" (CIN: A-13-86-62608), issued January 23, 1987, HHS OIG noted that the lack of SSNs for auxiliary beneficiaries had a significant effect on SSA's ability to monitor payment accuracy and to detect and recover overpayments.

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<sup>7</sup> Until August 1997, however, SSA did not adhere to this requirement. Specifically, SSA adjudicated and awarded benefits to claimants who did not provide an SSN. According to SSA, a revised version of MCS, released on August 25, 1997, now precludes the adjudication of a claim if no SSN is provided.

Specifically, the report identified the following five areas that could be improved if beneficiaries were required to provide evidence of an SSN as a condition of payment.

**Prior Claims Overpayments Recovery:** The use of an SSN as a personal identifier would allow SSA to directly reference overpayments to the liable individual so that the Agency could ensure collection from future benefits. For example, a 1985 Recovery of Overpayment, Accounting and Reporting master file included approximately 45,500 auxiliary beneficiaries, representing an estimated \$29 million in overpayments, for which SSA did not have SSNs recorded. As a result, the overpayments could not be directly referenced for future recovery should the individuals become entitled to benefits under their own SSN or another account number at a subsequent date. Therefore, recovery activities were terminated.

**Annual Earnings Enforcement:** Requiring SSNs from applicants/beneficiaries would enable SSA to monitor compliance with the annual earnings limitation for the over 1.2 million beneficiaries who did not have valid SSNs on record at the time the report was issued.

**State Death Data:** The comparison of State death data to beneficiary payment records is keyed to the SSN. Therefore, beneficiaries with missing or unverified SSNs are not subject to the review provided by the State death data match. The audit report stated that the match had successfully identified \$32 million in erroneous payments when SSNs were available.

**Duplicate Payment Detection:** At the time the audit report was issued, the Master File Duplication Operation (MAFDUP) used name, date of birth, and ZIP code in a computer match designed to detect duplicate payments. Because unverified SSNs often proved to be unreliable, this criterion was not used in MAFDUP. However, had the SSNs been verified, this data could have proved valuable in this detection process.

**Taxation of Benefits:** The use of SSNs would also allow SSA to provide the Internal Revenue Service (IRS) with benefit payment data that is compatible with IRS processing. However, without SSNs, IRS must use other less-efficient channels to assess and collect taxes for benefits paid to individuals without this information. As a result, revenues attributable to taxes imposed on benefits may not be realized.

HH S/DIG recommended, among other things, that SSA seek legislative authority to require a valid SSN, or an application for an SSN, as a prerequisite to receiving monthly benefit payments. SSA agreed and included in its Fiscal Year 1988 Legislative Proposals a recommendation that auxiliary beneficiaries provide their

own SSNs as a requirement for receipt of benefits. This proposal was enacted as part of P.L. 100-647, which contains the following provision:

Require, as a condition for receiving Social Security benefits, that beneficiaries either furnish their SSN or apply for one. The provision is effective with entitlements beginning after May 1989.

Additionally, the Social Security Act, title II, section 205(c)(2)(F) was amended to state:

The Commissioner of Social Security shall require, as a condition for receipt of benefits under this title, that an individual furnish satisfactory proof of a Social Security account number assigned to such individual by the Commissioner of Social Security or, in the case of an individual to whom no such number has been assigned, that such individual make proper application for assignment of such a number.

## **SCOPE AND METHODOLOGY**

The objective of our audit was to review SSA policies and procedures to record and verify SSNs used by auxiliary and survivor beneficiaries before approving title II payments.

To accomplish our objective, we reviewed laws and regulations requiring SSNs as a condition for the receipt of benefits. We also conducted discussions with SSA personnel to determine the procedures used to process beneficiary claims and resolve BO SSN alerts.

The audit period reviewed began with the initial date of entitlement for each beneficiary included in our sample and ended on April 30, 1997. We analyzed MBRs, and other appropriate system queries (e.g., NumIdent, Alpha-Index reports, and Development Worksheets) for this judgmentally-selected sample of beneficiaries. The sample included 54 beneficiaries from a population of 5,492 missing SSNs that FOs were alerted to in March 1997. We also selected 75 beneficiaries from the population of 8,956 unverified SSNs that FOs were alerted to in April 1997. We chose these sample items from among the FOs with the largest number of alerts as follows: 1) the first 20 missing SSNs from 2 FOs and a total of 14 other missing SSNs from 2 additional FOs; and 2) the first 5 unverified BO SSNs from each of 15 FOs.

Because our sample was judgmentally selected, the results were not projected to the total population of missing and unverified SSNs. Our review of documentation and any identified weaknesses related only to the items in our sample.

We reviewed those internal control procedures necessary to meet our objectives. Audit work was conducted at the SSA FOs located in Birmingham and Talladega, Alabama, and via telephone discussions with SSA personnel in Houston, Texas; Orlando, Florida; Mineola, New York; and Las Vegas, Nevada. Field work was performed between October 1996 and September 1997. Our audit was conducted in accordance with generally accepted government auditing standards.

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# RESULTS OF REVIEW

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Since the enactment of P.L. 100-647, SSA has significantly reduced the number of auxiliary and survivor beneficiaries who receive benefit payments without a verified SSN. In 1990, the year following implementation of the law, SSA issued approximately 116,000 BO SSN alerts. However, during March and April 1997, there were 29,705 beneficiaries with missing or unverified SSNs (18,480 unverified and 11,225 missing) in current pay status.<sup>8</sup> While we acknowledge that SSA has made considerable strides in improving its practice of recording beneficiary SSNs, we believe that further efforts could be taken to strengthen controls within SSA's claims application process to ensure compliance with the law and Agency requirements.

## THE IMPORTANCE OF VALIDATING MISSING OR UNVERIFIED SSNS

In addition to being contrary to legal stipulations, SSA's practice of paying benefits to claimants who have missing or unverified SSNs has an impact on other Agency responsibilities as discussed in the following report sections. Specifically, within our sample of 54 missing BO SSN alerts, we identified \$19,609 in overpayments and incorrect payments that can be attributed to missing SSNs for four beneficiaries. Additionally, SSA personnel advised that the five audit issues outlined in the HHS OIG 1987 audit report continue to occur because of unverified SSNs.

Although FOs were alerted to the missing and discrepant information on a bimonthly basis, we found that the beneficiaries included in our sample had been in current pay status for an average of 3½ years (ranging from 1 month to over 7 years) without any corrective action taken. In total, the 129 beneficiaries examined had been paid \$2.2 million in title II benefits between the dates that they were initially entitled to benefits and April 30, 1997.

### *SSA's Compliance with Legal Requirements*

P.L. 100-647 and SSA policies require beneficiaries to provide proof of an SSN or to submit an application for an SSN before receiving Social Security benefits. However, at the time of our audit field work, FO personnel could process benefit

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<sup>8</sup> Our sample cases were derived from a subset of the 29,705 beneficiaries. This subset included 5,492 missing SSNs and 8,956 unverified SSNs that FOs were alerted to in March and April 1997 respectively.

payments even though an SSN was missing or had not been verified. Specifically, before August 25, 1997, the Agency's automated systems did not preclude payment to beneficiaries without an SSN. Additionally, FO personnel could bypass certain controls within SSA's MCS that were designed to prevent adjudication of claims for individuals that provided names, dates of birth, or SSNs that did not agree with data recorded in other SSA systems.

According to SSA FO personnel, a new release of MCS, implemented on August 25, 1997, contains a control that prevents the adjudication and payment of benefits to a beneficiary with a missing SSN. We commend SSA's efforts to better control the initial recording of beneficiaries' SSNs. However, as explained later in this report, SSA personnel are still able to adjudicate claims when an SSN is unverified. As such, SSA practices still may not fully comply with legal requirements.

For example, within our sample of 75 unverified SSNs, we identified 10 (13 percent) for which the SSN appearing on the MBR was incorrect.<sup>9</sup> These 10 individuals were paid \$109,325 over an average of almost 4 years. Our review showed that a certain amount of these incorrect numbers were attributable to clerical or claimant error. As pointed out in a previous OIG report entitled, "Review of Internal Controls in the Social Security Administration's Modernized Claims System" (A-04-9-06019), issued May 16, 1997, without verifiable SSNs, employees have the opportunity to create false auxiliary and survivor claims through improper use of existing SSNs. Nevertheless, in response to this and previous HHS/OIG reports, SSA management declined to implement controls designed to: 1) require management approval for the adjudication of a claim when the beneficiary's SSN is unverified; and 2) prevent the resolution of BO SSN alerts by the same employee who adjudicated the original claim.

### ***Overpayments and Incorrect Payments Resulted from Missing SSNs***

Our audit confirmed that SSA's failure to obtain and record SSNs for auxiliary beneficiaries has an impact on the accuracy of SSA payments. For example, of the 54 individuals included in our sample for whom SSA had no account number, 3 (6 percent) exceeded annual earnings limitations and were subsequently overpaid \$4,444 in benefits. Additionally, within the missing BO SSNs reviewed, we identified incorrect payments of \$15,165 to one beneficiary (2 percent) who had died over 2 years before payments were terminated. The overpayments and incorrect payments to these individuals were not prevented or detected by SSA because the SSNs were missing from the MBR and, therefore, not matched successfully to annual earnings or State death data.

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<sup>9</sup> The remaining 65 beneficiaries included in the unverified SSN sample had discrepancies between the names or dates of birth as recorded on the MBR and those shown on the Numident master file.

At the time of our audit field work, SSA had an on-line edit within MCS that created a Development Worksheet that identifies issues to be resolved whenever discrepant or missing information was entered for a claimant. This screen was intended to facilitate the resolution of discrepancies during the application process. However, our observations confirmed that these discrepancies did not have to be resolved before a claim was adjudicated and payments issued to the beneficiary.

For example, Development Worksheets for four beneficiaries had a "?" in place of the claimants' SSNs. Nevertheless, SSA issued payments to these individuals for an average of 2 years without recording valid SSNs. In total, the 54 auxiliary beneficiaries included in our sample were paid over \$1 million during our audit period, even though SSA had no SSNs recorded for these individuals.

As explained previously, a new revision of MCS appears to have provided the controls necessary to prevent further payments to beneficiaries without SSNs. Accordingly, we will make no recommendations in this report regarding controls in this area. Nevertheless, we encourage SSA to resolve all of the missing SSNs that remain outstanding so that the Agency can prevent any further overpayments and ensure compliance with legal requirements.

### ***Administrative Problems Resulting from Unverified SSNs***

Although we noted no monetary effects in the sample of beneficiaries with unverified SSNs, SSA personnel advised that the administrative burdens caused by unverified SSNs, which were outlined in the 1987 HHS/OIG audit report, continue. Specifically, the lack of a verified SSN can preclude: 1) the recovery of certain overpayments; 2) annual earnings enforcement; 3) State death data matching; 4) duplicate payment detection; and 5) taxation of benefit reporting. For example, HHS/OIG reported that without a valid SSN, SSA is unable to accurately report individual benefit information to the IRS. As a result, IRS must use other less-efficient channels to assess and collect taxes for benefits paid to individuals with invalid account numbers. Therefore, revenues attributable to taxes imposed on benefits may not be realized.

Of the 75 unverified BO SSN alerts included in our sample, 73 resulted from a discrepancy between the name, date of birth, and/or SSN entered during the claim's application process and that recorded on SSA's MES.<sup>10</sup> Discrepancies can be caused by name changes not previously reported to SSA or variations in the spelling and/or arrangement of names. Additionally, dates of birth varied for certain claimants who first applied for an SSN (generally, between 1925 and

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<sup>10</sup> MES is the system SSA employs to enter enumeration data (e.g., name, date of birth, mother's name, father's name, etc.) provided by SSN applicants and to generate Social Security cards.

1950), when SSA did not require evidentiary proof of age. As a result, the information initially recorded on MES may not have been accurate. Other discrepancies appear to be caused by clerical or claimant errors and/or oversight.

The most recent MCS release (3.6.1) issued on August 25, 1997, states, in part,

MCS interfaces with MES when the name(s) entered on the Application screen (APPL) disagrees with the NumIdent name. When the name(s) is discrepant, MCS propagates the MES screens at the end of the application path. This generates 2 new Development Worksheet (DW01) issues, CLNAME or NH NAME. These issues must show a receipt date (or XXXXXX) before the claim can be adjudicated. [Emphasis is added.]

In summary, this policy states that if claimant information entered in MCS does not reconcile with information contained in MES, two Development Worksheet issues (items needing resolution) will be propagated. The policy also states that MCS contains a receipt date field in which SSA personnel should enter the date evidence was presented by the claimant to resolve the discrepancy (Development Worksheet issue). However, if SSA personnel want to complete processing of a claim when evidence has not been presented to resolve the discrepancy, they may enter six X's in the receipt date field rather than an actual date.

We believe that the inclusion of six X's (XXXXXX) in the receipt date field of the Development Worksheet without management concurrence circumvents the intent of the control. Although discrepancies and errors can be expected in any process of this magnitude, we believe that SSA can ensure better compliance with P.L. 100-647, if this control could not be bypassed by personnel other than FO management. Further, if FO personnel were required to resolve discrepancies while completing the initial claim's application, the need for BOSSN alerts would be reduced significantly.

## **BOSSN ALERTS NOT RESOLVED IN A TIMELY MANNER**

Although responsible FOs are notified of missing or unverified SSNs on a bimonthly basis, the 129 beneficiaries included in our samples had been paid almost \$2.2 million over an average 3½ years (ranging from 1 month to over 7 years). As such, FOs received an average of 21 alerts (over 42 months) for the items reviewed. Several FO managers with whom we spoke explained that resolving BOSSN alerts is a low priority among the many other duties assigned to their offices. As such, FO personnel do not always investigate BOSSN alerts in a timely manner. One FO manager defined the resolution of BOSSN alerts as simply a "reconciliation of records" and asserted that FO personnel should more appropriately spend their time working to get benefits to SSA recipients.

However, as discussed previously, obtaining verifiable SSNs for auxiliary and survivor beneficiaries can help to ensure payment accuracy and prevent other administrative and reporting deficiencies. For example, if responsible FOs had resolved the BO SSN alerts for the three beneficiaries in our limited sample who exceeded annual earnings limitations in a more timely manner, SSA could have ensured that these and all other beneficiaries with unresolved SSNs were subjected to appropriate earnings tests in subsequent years, thereby precluding further overpayments.

Of the 129 BO SSN alerts examined, we determined the correct SSN or identified the discrepancy precluding verification for all but 6 (5 percent) of the beneficiaries, as shown in the following table. These six individuals were paid a total of \$8,445 over an average of 4 years.

#### **Missing and Unverified BO SSN Alerts Reviewed**

Category	Number of BO SSN Alerts Reviewed	Average Number of Alerts Issued Per SSN	Total Benefits Paid <sup>a</sup>	SSNs Not Identified by Audit Team
Missing	54	21	\$1,061,713	4
Unverified	75	21	1,137,838	2
<b>Total</b>	<b>129</b>	<b>21</b>	<b>\$2,199,551</b>	<b>6</b>

<sup>a</sup>Total benefits paid represent the amount paid to the 129 claimants between their respective initial dates of entitlement and April 30, 1997.

Source: OIG analysis of MBR and MES data for the 129 BO SSN alerts sampled.

To determine the correct SSNs, we researched pertinent SSA systems, including the NumIdentMaster file, Alpha-Index Queries, and in some instances, Development Worksheets. We recognize that to comply with the intent of P.L. 100-647, SSA personnel may be required to perform additional steps to properly update Agency records. For example, FO personnel may need to contact beneficiaries to obtain SS-5 applications and supporting evidence to issue SSNs to the six individuals for whom we could not locate an SSN. Additionally, SSA personnel may have to contact beneficiaries so that they can determine the reason for and possible resolution of unverified SSNs (e.g., beneficiary provided wrong number, name, or date of birth). Further, SSA personnel must revise the information contained in either the MBR or NumIdentMaster file.

Although resolution of BO SSN alerts may be a low priority in FOs, we do not believe it should take an average of 3 years, or a maximum of 7 years, to complete. We base this assertion on the results of our analysis.

Again, we believe that the need for BO SSN alerts could be reduced significantly if SSA implemented controls that precluded adjudication of claims and payment of benefits unless verifiable SSNs are obtained from claimants. We are encouraged by SSA's implementation of MCS release 3.6.1 and MES release 3. However, we believe that more should be done to: 1) resolve the BO SSN alerts currently outstanding, 2) prevent future overpayments, and 3) ensure compliance with legal requirements. Although SSA has declined to implement control enhancements as a result of previous OIG reports, we believe that the problems outlined in this report provide convincing arguments for the Agency to reconsider its position.<sup>11</sup>

For illustrative, but not statistical purposes, extrapolating the results from our sample to the 11,225 missing alerts yields estimated overpayments and incorrect payments to beneficiaries of \$4 million. Additionally, we were unable to determine correct SSNs for 6 of the 129 BO SSN alerts in our sample. Extrapolating from the sample to the universe of 29,705 alerts, we estimate that \$22 million was improperly paid to beneficiaries whose SSNs could not be determined.

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<sup>11</sup> These reports include 1) an HHS OIG report entitled *Review of Child Dependents' Dates of Birth on the Master Beneficiary Records of Title II Beneficiaries* (A-01-92-02001), issued in March 1993; and 2) an SSA OIG report entitled *Review of Internal Controls in the Social Security Administration's Modernized Claims System* (A-04-95-06019), issued May 16, 1997.

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## **CONCLUSION AND RECOMMENDATIONS**

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Based on the results of our review, it is our opinion that, during our audit period, SSA's FO application development process did not have sufficient controls in place to preclude the payment of benefits to auxiliary/survivor claimants who applied for benefits with an unknown or unverified SSN. As such, we recommend the following corrective actions to ensure SSA's future compliance with legal requirements:

1. Take appropriate action to resolve all outstanding missing and unverified SSNs in a timely manner and evaluate the results to determine whether there are any indications of fraud that may warrant referral to OIG's Office of Investigations.
2. Recover overpayments totaling \$4,444 made to beneficiaries who had earnings in excess of annual limitations.
3. Seek restitution of \$15,165 in benefits wrongfully paid after a claimant's death.
4. Require management approval via entry of a second personal identification number in MCS to override system edits (e.g., Development Worksheet issues) designed to preclude the award of benefits to claimants with an unverified SSN.
5. Issue a memorandum to all SSA personnel responsible for processing auxiliary and survivor beneficiaries that will reemphasize the importance of following established procedures so that a proper determination of eligibility can be made.

### **AGENCY COMMENTS**

In its written response to our draft report, SSA agreed with four of the five recommendations. Specifically, SSA stated that it is already pursuing appropriate remedies for the cases in which overpayments and incorrect payments were identified. Further, SSA plans to issue a memorandum that will: 1) instruct personnel to reduce the number of outstanding alerts; 2) reemphasize the importance of following established procedures; and 3) evaluate similar type cases for indications of fraud and make appropriate referrals to the OIG.

SSA disagreed with our recommendation that would require SSA management approval to override system edits designed to preclude the award of benefits to

claimants with an unverified SSN. In its response, SSA stated that the unverified SSNs result from minor discrepancies between information entered into MCS and information stored on the Numident. Further, SSA restated that the OIG audit did not report a mandatory effect associated with the sample of beneficiaries with unverified SSNs. Therefore, SSA did not believe that requiring a manager's review to override the edit would be cost-effective. Additionally, SSA asserted that this control would impede the processing of the claim. SSA did agree that these discrepancies should be resolved in a timely manner and will issue a memorandum to appropriate staff. (See Appendix A for the full text of the Agency's comments.)

## OIG RESPONSE

Our review disclosed that although SSA has implemented procedures designed to comply with the provisions of P.L. 100-647, we believe that further efforts could be taken to strengthen controls within SSA's claims application process to ensure compliance with legal and Agency requirements. While critical identifying information is compared to SSA's master files for all claimants, an edit does not prevent payment when discrepancies exist. SSA's policy states that if claimant information entered in MCS does not reconcile with information contained in MES, two Development Worksheet issues (items needing resolution) will be propagated. The policy also states that MCS contains a receipt date field in which SSA personnel should enter the date evidence was presented by the claimant to resolve the discrepancy (Development Worksheet issue). However, if SSA personnel want to complete processing of a claim and evidence has not been presented to resolve the discrepancy, they may enter six X's in the receipt date field rather than an actual date.

We believe that the inclusion of six X's (XXXXXX) in the receipt date field of the Development Worksheet without management concurrence circumvents the intent of the control. Consequently, OIG affirms this recommendation and requests that SSA reconsider its position on requiring management approval to override system edits designed to preclude the award of benefits to claimants with an unverified SSN. Further, if FO personnel were required to resolve discrepancies while completing the initial claims application, the need for BO SSN alerts would be reduced significantly.

# **APPENDICES**

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**APPENDIX A**

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**AGENCY COMMENTS**

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## **SSA ORGANIZATIONAL CHART**

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