

Audit Report

Accrued Benefits Payable on Behalf
of Deceased Beneficiaries

A-09-14-14034 / August 2014

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: August 20, 2014 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Accrued Benefits Payable on Behalf of Deceased Beneficiaries (A-09-14-14034)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration took appropriate actions to pay accrued benefits on behalf of deceased beneficiaries.

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.



Patrick P. O'Carroll, Jr.

Attachment

Accrued Benefits Payable on Behalf of Deceased Beneficiaries

A-09-14-14034



August 2014

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) took appropriate actions to pay accrued benefits on behalf of deceased beneficiaries.

Background

According to SSA policy, an underpayment is any monthly benefit amount due a beneficiary that SSA has not paid. Underpayments include accrued monthly benefits SSA has not paid and uncashed checks representing correct payments to deceased beneficiaries.

When underpaid beneficiaries are deceased, SSA should pay the underpayment to a surviving spouse, a child, a parent, or the legal representative of the decedent's estate. Before paying an underpayment, SSA must attempt to locate and determine the proper recipient.

We identified 5,375 deceased Title II beneficiaries who, according to the Master Beneficiary Record (MBR), had accrued unpaid benefits dating as far back as January 1984 that may have been payable to surviving beneficiaries in current pay status on the deceased beneficiaries' record.

Our Findings

SSA needs to improve its controls to ensure it pays accrued benefits on behalf of deceased beneficiaries. Based on our random sample, we estimate

- 3,440 deceased beneficiaries had accrued \$24.7 million in benefits that SSA should have paid to a surviving beneficiary in current pay, and
- 1,183 deceased beneficiaries' MBRs incorrectly showed they had accrued unpaid benefits.

This occurred because (1) SSA employees did not take appropriate action to pay accrued benefits to surviving beneficiaries, (2) there was no systems alert that identified the accrued benefits that may have been payable, and (3) SSA did not remove temporary suspensions from the MBR after it paid or resolved the accrued benefits.

Our Recommendations

We recommend that SSA:

1. Take appropriate action to pay the accrued benefits to surviving beneficiaries in current pay for the 64 deceased beneficiaries identified by our audit.
2. Take appropriate action to correct the MBR for the 22 deceased beneficiaries who had incorrect accrued benefits identified by our audit.
3. Evaluate the results of its corrective actions for the 86 beneficiaries and determine whether it should review the remaining population of 5,275 beneficiaries.
4. Remind employees to pay accrued benefits on behalf of deceased beneficiaries to eligible surviving beneficiaries and to correct the MBR after it pays the accrued benefits or if the accrued benefits are not payable.
5. Improve controls over the payment of accrued benefits upon a beneficiary's death.

SSA agreed with our recommendations.

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ABBREVIATIONS

MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) took appropriate actions to pay accrued benefits on behalf of deceased beneficiaries.

BACKGROUND

According to SSA policy, an underpayment is any monthly benefit due a beneficiary that it has not paid. For example, accrued, unpaid benefits may occur when SSA suspends benefits pending its selection of a representative payee, a beneficiary's whereabouts are unknown, or a benefit check is returned undeliverable.¹

If the underpaid beneficiary is deceased, SSA must pay underpayments in the following order of priority: (1) to the surviving spouse who was either living in the same household as the deceased at the time of death or who, for the month of death, was entitled to a monthly benefit on the same record as the deceased; (2) to the child who, for the month of death, was entitled to a monthly benefit on the same record as the deceased; (3) to the parent who, for the month of death, was entitled to a monthly benefit on the same record as the deceased; (4) to another surviving spouse; (5) to another child; (6) to another parent; and (7) to the legal representative of the deceased person's estate. A surviving divorced spouse does not qualify for an underpayment.²

Before paying an underpayment,³ SSA must determine whether there is a living individual in a higher order of priority. SSA must also determine whether there is more than one living individual in a category. SSA may directly contact potential surviving beneficiaries or send a letter to the last address of all known individuals in the highest order of priority. When there is more than one individual in the highest order of priority, SSA must divide the underpayment equally among the entitled individuals.⁴

We identified 5,375 deceased Title II beneficiaries who, according to the Master Beneficiary Record (MBR), had accrued unpaid benefits dating as far back as January 1984 that may have been payable to surviving beneficiaries in current pay status on the deceased beneficiaries' record. From this population, we selected a random sample of 100 deceased beneficiaries for review (see Appendix A).

¹ SSA, POMS, GN 02301.001 (June 23, 2006) and GN 01010.300 (November 10, 2011).

² SSA, POMS, GN 02301.030 (April 21, 2009).

³ If the underpayment is \$50 or more, SSA employees are required to locate eligible recipients. If the underpayment is less than \$50, SSA employees are not required to locate eligible recipients but should pay the underpayment if there is sufficient information to identify eligible recipients. SSA, POMS, GN 02301.060 (August 30, 2006).

⁴ SSA, POMS, GN 02301.030 (April 21, 2009).

RESULTS OF REVIEW

SSA needs to improve its controls to ensure it pays accrued benefits on behalf of deceased beneficiaries. Based on our random sample, we estimate that

- 3,440 deceased beneficiaries had accrued \$24.7 million in benefits that SSA should have paid to a surviving beneficiary in current pay, and
- 1,183 deceased beneficiaries' MBRs incorrectly showed they had accrued unpaid benefits.

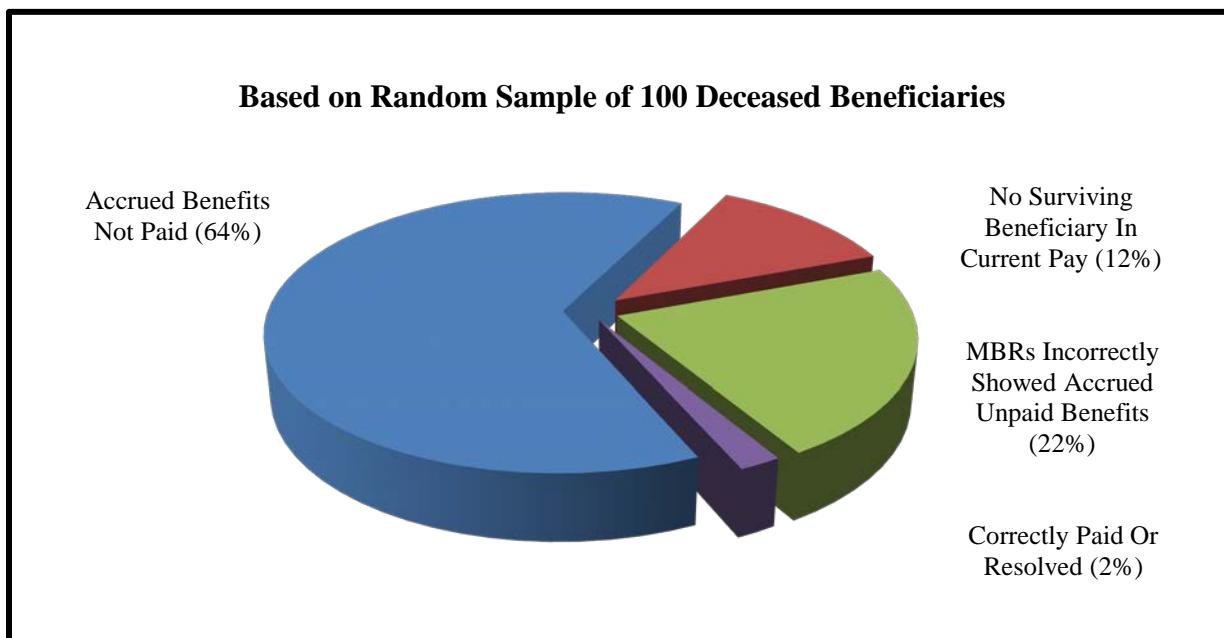
This occurred because (1) SSA employees did not take appropriate action to pay accrued benefits to surviving beneficiaries, (2) there was no systems alert that identified the accrued benefits that may have been payable, and (3) SSA employees did not remove temporary suspensions from the MBR after they paid or resolved the accrued benefits.

We are 90-percent confident the number of deceased beneficiaries

- who had accrued benefits that SSA should have paid to a surviving beneficiary in current pay ranged from 2,981 to 3,866, and the accrued benefits payable ranged from \$13.4 to \$36 million and
- whose MBRs incorrectly showed they had accrued unpaid benefits ranged from 831 to 1,603 (see Appendix B).

For the 100 deceased beneficiaries in our sample, we found that (1) 64 had accrued benefits that SSA should have paid to a surviving beneficiary in current pay, and (2) 22 incorrectly showed they had accrued unpaid benefits. In addition, 12 beneficiaries had no eligible surviving beneficiaries in current pay status on the deceased beneficiaries' record. For the remaining two beneficiaries, SSA correctly paid or resolved the accrued benefits. The following chart summarizes the results of our review.

Figure 1: Accrued Benefits Payable on Behalf of Deceased Beneficiaries



Accrued Benefits Not Paid

According to SSA policy, an underpayment is any monthly benefit due a beneficiary that SSA has not paid. This includes accrued unpaid benefits when SSA suspends payments pending its selection of a representative payee, a beneficiary's whereabouts are unknown, a benefit check is returned undeliverable, a windfall offset⁵ determination is pending, or there is another miscellaneous reason. When underpaid beneficiaries are deceased, SSA should pay the underpayment to a surviving spouse, a child, a parent, or the legal representative of the decedent's estate. Before paying an underpayment, SSA must attempt to determine and locate the proper recipient.⁶

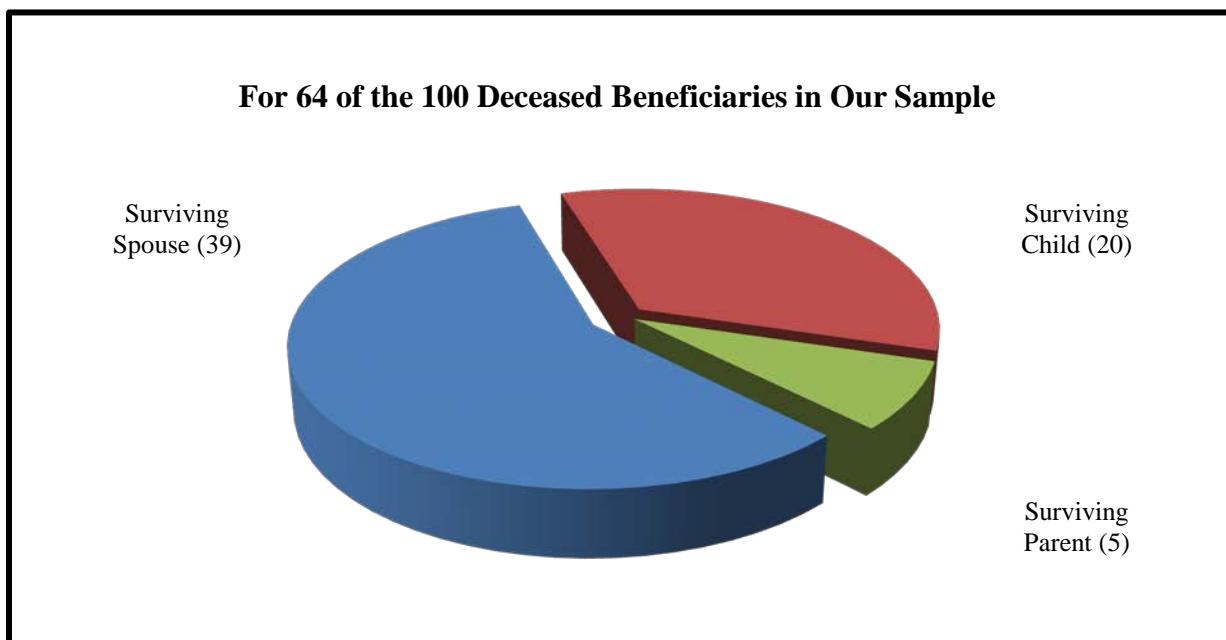
For 64 of the 100 deceased beneficiaries in our sample, SSA did not pay accrued unpaid benefits to a surviving beneficiary in current pay. This occurred because SSA employees did not take appropriate action to pay these benefits to the surviving beneficiaries, and there was no systems alert that identified the accrued benefits that may have been payable. As depicted in Figure 2, the underpayments were payable to 39 spouses, 20 children, and 5 parents. Although the

⁵ Windfall offset is a provision that prevents an individual from receiving monthly Title II and XVI payments in excess of the total amount that would have been paid had these benefits been disbursed when they were due rather than retroactively. SSA, POMS, GN 02610.005 (April 25, 2012).

⁶ SSA, POMS, GN 02301.001 (June 23, 2006), GN 01010.300 (November 10, 2011), and GN 02301.060 (August 30, 2006).

surviving beneficiaries were in current pay status on the deceased beneficiaries' record, SSA did not pay \$460,137 in benefits to which they were entitled.

Figure 2: Surviving Beneficiaries in Current Pay



The reasons SSA suspended benefits to the 64 deceased beneficiaries were as follows:

- 18 had a pending a windfall offset determination,
- 17 had benefit payments that were returned undeliverable,
- 9 had a pending representative payee selection,
- 2 had whereabouts that were unknown, and
- 18 had been suspended for miscellaneous reasons.

All 64 suspensions were temporary or were no longer applicable because the beneficiaries were deceased. SSA should have removed the suspensions and paid the accrued benefits to surviving beneficiaries in current pay. During our review, we found no evidence why the accrued benefits were not payable to the surviving beneficiaries. For example, SSA should have completed the 18 windfall offset determinations and paid the accrued benefits payable on behalf of the deceased beneficiaries.⁷ In addition, since the beneficiaries were deceased, the miscellaneous suspensions,

⁷ When beneficiaries are entitled to both Title II and XVI payments for the same months, SSA must reduce any retroactive Title II benefits that may be payable by any Title XVI payments that should not have been paid because of the Title II entitlement. SSA, POMS, GN 02610.005.B.1 (April 25, 2012).

pending representative payee selections, and SSA's development to obtain a correct address or determine the beneficiaries' whereabouts were no longer applicable.

For example, in July 2012, SSA suspended benefits to a beneficiary because her direct deposit payment was returned undeliverable. SSA mailed the beneficiary a notice and corrected her address but did not correct her bank account information. The beneficiary remained in suspended pay status until her death in April 2013. Although the surviving spouse lived at the same address as the deceased beneficiary, SSA did not pay her accrued benefits from July 2012 through March 2013, totaling \$4,010, to the surviving spouse.

Accrued Benefits Not Payable

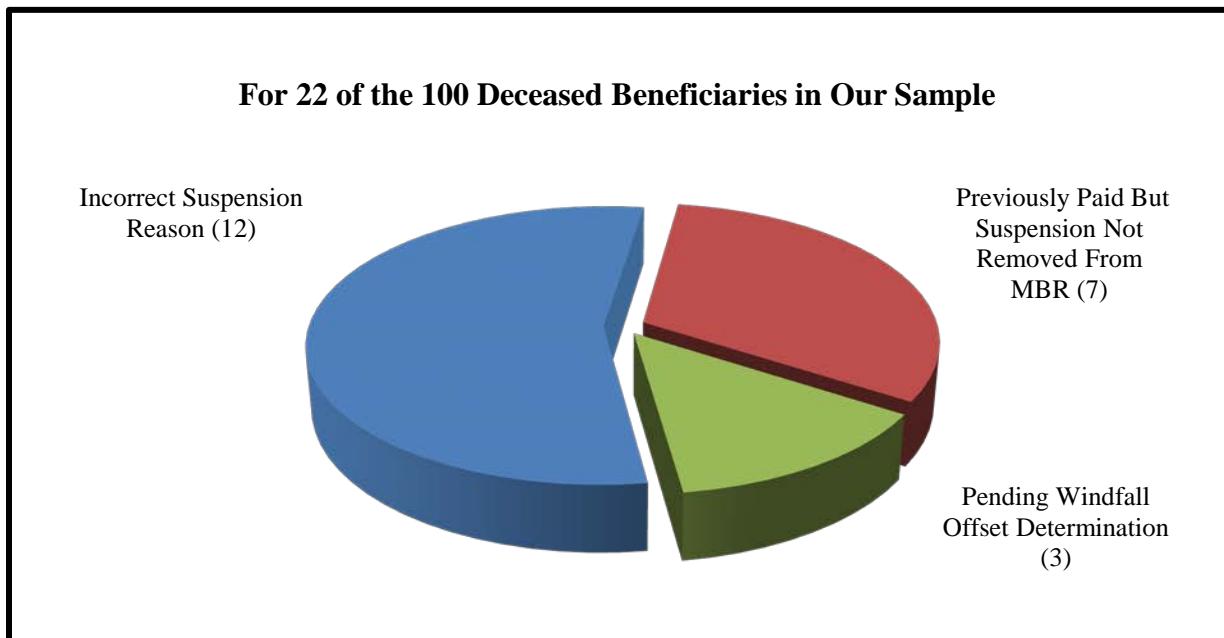
SSA temporarily suspends benefits pending the selection of a representative payee, development of a proper address, pending a windfall offset determination, or another miscellaneous reason. SSA employees should only use a miscellaneous suspension when no other suspension reason applies.⁸ SSA also has systems alerts to ensure its employees properly resolve temporary suspensions. Specifically, SSA generates alerts for beneficiaries it has suspended for address, pending the selection of a representative payee, or pending a windfall offset determination. However, SSA does not generate alerts for beneficiaries it has suspended for miscellaneous reasons. SSA employees should resolve these alerts and determine whether they can resume benefits or a permanent suspension/termination applies.⁹ When SSA employees resolve a suspension and pay the accrued benefits, they should also remove the suspension from the MBR.

For 22 of the 100 deceased beneficiaries in our sample, SSA had previously paid the accrued benefits to a surviving beneficiary, the accrued benefits were not payable because a permanent suspension applied, or SSA did not correct a temporary suspension on the MBR. As depicted in Figure 3, this occurred because SSA employees (1) recorded an incorrect suspension reason for 12 beneficiaries, (2) did not remove the suspension for 7 beneficiaries who had been paid the accrued benefits, and (3) had not resolved pending windfall offset determinations for 3 beneficiaries. Had SSA completed these windfall offset determinations, the accrued benefits would not have been payable. However, unless SSA corrects the MBR, there is a risk the accrued benefits could be improperly paid.

⁸ SSA, POMS, GN 02602.320 (March 14, 2014).

⁹ SSA, POMS, GN 00504.150 (February 28, 2011).

Figure 3: Beneficiary Suspensions Not Properly Resolved



SSA incorrectly recorded miscellaneous suspensions for 12 of the 22 beneficiaries. The actual suspensions should have been as follows:

- five should have been suspended because they were not lawfully present in the United States,
- three should have been suspended because of their earnings,
- three should have been suspended because they were in prison, and
- one should have been suspended because he waived his benefits.

For example, in August 2006, SSA determined a beneficiary was not eligible for disability benefits because of his earnings. SSA should have suspended his benefits because of his earnings but incorrectly recorded the suspension as miscellaneous. As a result, SSA improperly paid benefits, totaling \$5,689, to the beneficiary's spouse and two children from August 2006 until his death in March 2007. Had SSA resolved the miscellaneous suspension and corrected the MBR for the deceased beneficiary, SSA would have prevented the improper payments to the spouse and children.

CONCLUSIONS

SSA needs to improve its controls to ensure it pays accrued benefits on behalf of deceased beneficiaries. For our review, we identified 5,375 deceased Title II beneficiaries who, according to the MBR, had accrued unpaid benefits that may have been payable to surviving beneficiaries in current pay. Of these, we estimate that 3,440 deceased beneficiaries had accrued benefits, totaling \$24.7 million that SSA should have paid to a surviving beneficiary in current pay, and 1,183 deceased beneficiaries' MBRs incorrectly showed they had accrued unpaid benefits. This occurred because SSA employees did not take appropriate action to pay accrued benefits to surviving beneficiaries, and there was no systems alert that identified the accrued benefits that may have been payable. In addition, SSA employees did not remove temporary suspensions from the MBR after they paid or resolved the accrued benefits (see Appendix B).

To ensure SSA staff identifies and pays underpayments, we believe SSA needs to improve its controls over accrued benefits payable at the time of death. For example, SSA could establish an alert that identifies beneficiaries who have accrued benefits that may be payable to a surviving beneficiary. SSA could also conduct a periodic clean-up operation to identify accrued unpaid benefits—using an approach similar to our audit methodology—and take action to resolve the underpayments.

RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action to pay the accrued benefits to surviving beneficiaries in current pay for the 64 deceased beneficiaries identified by our audit.
2. Take appropriate action to correct the MBR for the 22 deceased beneficiaries who had incorrect accrued benefits identified by our audit.
3. Evaluate the results of its corrective actions for the 86 beneficiaries and determine whether it should review the remaining population of 5,275 beneficiaries.
4. Remind employees to pay accrued benefits on behalf of deceased beneficiaries to eligible surviving beneficiaries and to correct the MBR after it pays the accrued benefits or if the accrued benefits are not payable.
5. Improve controls over the payment of accrued benefits upon a beneficiary's death.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

We obtained from the Social Security Administration's (SSA) Master Beneficiary Record (MBR) a data extract of Title II beneficiaries who had accrued benefits payable on behalf of deceased beneficiaries. Using this information, we identified 5,375 deceased Title II beneficiaries who had accrued unpaid benefits dating as far back as January 1984 that may have been payable to surviving beneficiaries in current pay status on the deceased beneficiaries' record as of August 2013.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, U.S. Code, and SSA's Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations and Systems;
- reviewed a random sample of 100 deceased beneficiaries who had accrued unpaid benefits that may have been payable to surviving beneficiaries in current pay status on the deceased beneficiaries' record;
- reviewed queries from SSA's MBR, Payment History Update System, Online Retrieval System, Claims Folder Records Management System, and Treasury Check Information System; and
- determined the amount of accrued benefits payable to surviving beneficiaries as of January 2014.

We determined whether the computer-processed data from the MBR were sufficiently reliable for our intended purpose. We tested the data to determine their completeness and accuracy. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between January and April 2014. The entities audited were the Offices of Operations and Systems under the Offices of the Deputy Commissioners for Operations and Systems.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

From the Social Security Administration’s (SSA) Master Beneficiary Record (MBR), we obtained a data extract of 5,375 deceased Title II beneficiaries who had accrued unpaid benefits dating as far back as January 1984 that may have been payable to surviving beneficiaries in current pay status on the deceased beneficiaries’ record as of August 2013. From this population, we selected a random sample of 100 beneficiaries for review.

Accrued Benefits Not Paid

For 64 of the 100 deceased beneficiaries in our sample, SSA did not pay accrued unpaid benefits to a surviving beneficiary in current pay. As a result, the surviving beneficiaries did not receive \$460,137 in benefits to which they were entitled. Projecting our sample results to the population of 5,375 beneficiaries, we estimate that SSA had not paid \$24.7 million in accrued unpaid benefits to 3,440 surviving beneficiaries.

Accrued Benefits Not Payable

The MBR incorrectly showed 22 of the 100 deceased beneficiaries in our sample had accrued unpaid benefits. Unless SSA corrects the MBR, there is a risk the accrued benefits could be improperly paid. Projecting our sample results to the population of 5,375 beneficiaries, we estimate the MBRs for 1,183 deceased beneficiaries incorrectly showed they had accrued unpaid benefits.

The following tables provide the details of our sample results and statistical projections.

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	5,375
Sample Size	100

Table B–2: Accrued Benefits Not Paid

Description	Beneficiaries	Benefits Not Paid
Sample Results	64	\$460,137
Point Estimate	3,440	\$24,732,364
Projection – Lower Limit	2,981	\$13,422,326
Projection – Upper Limit	3,866	\$36,042,402

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

Table B–3: Accrued Benefits Not Payable

Description	Beneficiaries
Sample Results	22
Point Estimate	1,183
Projection – Lower Limit	831
Projection – Upper Limit	1,603

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: July 3, 2014 Refer To: S1J-3

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

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Accrued Benefits Payable on Behalf of Deceased Beneficiaries" (A-09-14-14034) - INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“ACCRUED BENEFITS PAYABLE ON BEHALF OF DECEASED BENEFICIARIES”
(A-09-14-14034)**

Recommendation 1

Take appropriate action to pay the accrued benefits to surviving beneficiaries in current pay for the 64 deceased beneficiaries identified by our audit.

Response

We agree. We plan to take the appropriate action to pay the accrued benefits to the surviving beneficiaries in current pay for the 64 deceased beneficiaries no later than October 31, 2014.

Recommendation 2

Take appropriate action to correct the MBR for the 22 deceased beneficiaries who had incorrect accrued benefits identified by our audit.

Response

We agree. We plan to take the appropriate action to correct the Master Beneficiary Record for the 22 deceased beneficiaries who had incorrect accrued benefits no later than September 30, 2014.

Recommendation 3

Evaluate the results of its corrective actions for the 86 beneficiaries and determine whether it should review the remaining population of 5,275 beneficiaries.

Response

We agree. We will evaluate the results from recommendations 1 and 2 to determine if we should review the remaining 5,275 of the population. We plan to make our determination no later than October 31, 2014.

Recommendation 4

Remind employees to pay accrued benefits on behalf of deceased beneficiaries to eligible surviving beneficiaries and to correct the MBR after it pays the accrued benefits or if the accrued benefits are not payable.

Response

We agree. We will publish an Administrative Message no later than September 30, 2014 to remind employees of the policies to pay accrued benefits on behalf of deceased beneficiaries and to correct the MBR to show the action taken.

Recommendation 5

Improve controls over the payment of accrued benefits upon a beneficiary's death.

Response

We agree. We will evaluate the results from recommendations 1, 2, and 3 to determine if we need any additional controls. We expect to complete our evaluation no later than December 31, 2014.

Appendix D – MAJOR CONTRIBUTORS

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Timothy E. Meinholtz, Senior Auditor

Wilfred Wong, Audit Data Specialist

Charles Zaepfel, IT Specialist

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