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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**OLD-AGE, SURVIVORS AND DISABILITY  
INSURANCE BENEFITS WITHHELD PENDING  
SUPPLEMENTAL SECURITY INCOME  
WINDFALL OFFSET**

**November 2011**

**A-09-11-11130**

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**AUDIT REPORT**

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## Mission

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

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## SOCIAL SECURITY

### MEMORANDUM

Date: November 21, 2011 Refer To:

To: The Commissioner

From: Inspector General

Subject: Old-Age, Survivors and Disability Insurance Benefits Withheld Pending Supplemental Security Income Windfall Offset (A-09-11-11130)

### OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure Old-Age, Survivors and Disability Insurance (OASDI) benefits that had been withheld pending a Supplemental Security Income (SSI) windfall offset determination were paid accurately and timely.

### BACKGROUND

The OASDI program provides benefits to retired and disabled workers, including their dependents and survivors.<sup>1</sup> The SSI program provides payments to financially needy individuals who are aged, blind, or disabled.<sup>2</sup> OASDI benefits count as income when determining SSI eligibility and payment amount.<sup>3</sup>

The SSI windfall offset is a provision that prevents an individual from receiving monthly OASDI and SSI payments in excess of the total amount that would have been paid had the OASDI benefits been disbursed when they were due rather than retroactively. Before the offset provision was enacted, the retroactive OASDI payment counted as income only in the month of receipt. This either lowered the SSI payment or caused the recipient to be ineligible for SSI for that month alone. As a result, the individual received full OASDI benefits without affecting the SSI payment amounts for all but 1 month of the same retroactive period. This outcome was considered a windfall for the individual.<sup>4</sup>

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

<sup>2</sup> The Social Security Act, § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

<sup>3</sup> SSA, POMS, GN 02610.005.

<sup>4</sup> *Id.*

When beneficiaries are entitled to both OASDI and SSI for the same months, any retroactive OASDI benefits that may be payable must be reduced by any SSI payments that should not have been paid because of the OASDI entitlement.<sup>5</sup> In potential windfall offset cases, when an OASDI claim is processed, past-due benefits are temporarily withheld pending an SSI offset determination.<sup>6</sup> A follow-up diary and alert controls the offset determination to ensure the offset is processed.<sup>7</sup>

According to SSA's Master Beneficiary Record (MBR), as of March 2010, approximately 158,000 OASDI beneficiaries had benefits withheld pending an SSI windfall offset determination. For our audit, we selected a random sample of 250 beneficiaries.

## RESULTS OF REVIEW

SSA needs to improve controls to ensure it accurately and timely pays OASDI benefits withheld pending an SSI windfall offset determination. Based on our random sample, we estimate that:

- 35,398 beneficiaries had SSI windfall offset actions that were not processed. As a result, SSA withheld about \$306 million in OASDI benefits, of which we estimate approximately \$232 million is payable to these beneficiaries.
- 17,067 beneficiaries had SSI windfall offset actions that were incorrectly processed. As a result, SSA improperly withheld or overpaid about \$51.5 million in OASDI benefits for these beneficiaries.
- 60,051 beneficiaries had SSI windfall offset actions that were correctly processed but not in a timely manner. As a result, these beneficiaries did not promptly receive about \$725.9 million in OASDI benefits (see Appendix C).

This occurred because SSA did not always (1) establish manual diaries, (2) process requests for SSI windfall offset determinations when required, or (3) properly release all OASDI benefits due and payable upon completion of the SSI windfall offset determinations.

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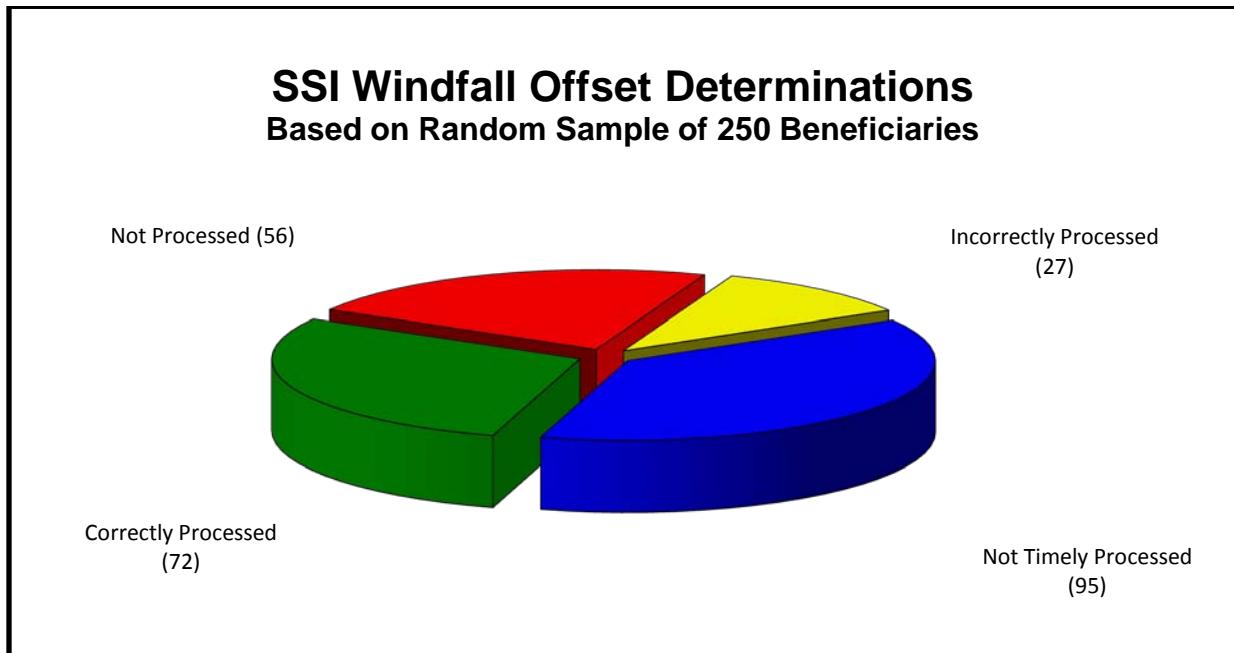
<sup>5</sup> SSA, POMS, GN 02610.005.B.1.

<sup>6</sup> SSA, POMS, SI 02006.001.A.

<sup>7</sup> SSA, POMS, SM 00619.070 and SM 00815.200.B.1.

## WITHHELD OASDI BENEFITS PENDING SSI WINDFALL OFFSET DETERMINATION

From a random sample of 250 beneficiaries, we found that SSA did not process the SSI windfall offset actions for 56 beneficiaries (22.4 percent) and incorrectly processed these actions for 27 beneficiaries (10.8 percent). In addition, SSA did not timely process the SSI windfall offset determination for 95 beneficiaries (38 percent). For the remaining 72 beneficiaries (28.8 percent), we found that SSA had correctly processed the SSI windfall offset actions.<sup>8</sup> We summarized the results of our review below.



## SSA Controls and Procedures for SSI Windfall Offset

SSI windfall offset may apply when there is any indication an OASDI beneficiary may be concurrently entitled to OASDI and SSI. The SSI windfall offset determination generally involves two actions. SSA's first action is to award the OASDI benefits and withhold any retroactive benefits pending completion of the SSI windfall offset determination. After making the offset determination, SSA's second action is to release any withheld benefits payable to the beneficiary.<sup>9</sup>

<sup>8</sup> Includes four beneficiaries where SSA correctly paid the individuals but did not remove the windfall offset amounts from the MBR.

<sup>9</sup> SSA, POMS, SM 00815.001.A and SM 00815.300.B.

Either SSA's automated system processes windfall offsets or SSA employees manually control and process them. If SSA's automated system is unable to process the windfall offset, it generates a diary alert<sup>10</sup> every 30 days to remind the field office to make the SSI windfall offset determination. After the field office makes its determination, the automated system generates a diary alert after 45 days (and every 20 days thereafter) to remind the processing center to release all withheld OASDI benefits, deduct the appropriate SSI offset amount, and pay any remaining amount to the beneficiary.<sup>11</sup>

For those determinations that require manual processing, SSA employees must establish a diary to ensure (1) the offset determination is made and (2) any withheld OASDI benefits that are payable are issued to the beneficiary.<sup>12</sup> Finally, SSA has a Web-based application, referred to as electronic form 4345 (e4345),<sup>13</sup> that tracks and controls manual windfall offset actions that SSA's automated system cannot process. For our review, we used a standard of 90 days to determine whether SSA processed windfall offset determinations timely.

### **SSI Windfall Offset Actions Not Processed**

SSA had not processed the SSI windfall offset actions for 56 (22.4 percent) of the 250 beneficiaries in our sample. We found that SSA did not always complete the SSI windfall offset determinations and/or release the withheld OASDI benefits payable to these beneficiaries. As a result, SSA withheld \$484,044 in OASDI benefits for which these beneficiaries may have been eligible. As depicted in the chart below, these benefits were unpaid for as long as 10 years after they were due and payable. The average length of time that SSA withheld the benefits was over 3.5 years (1,298 days).<sup>14</sup>

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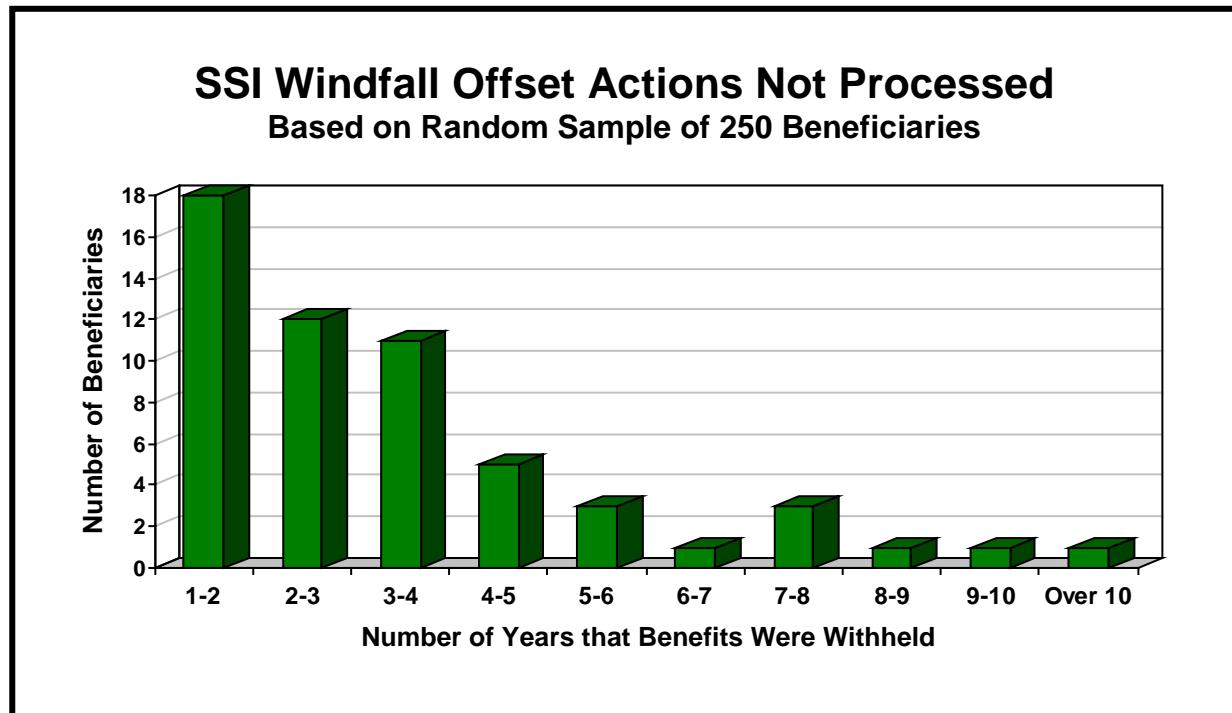
<sup>10</sup> Diary alerts are internal controls designed to ensure the proper offset actions are taken.

<sup>11</sup> SSA, POMS, SM 01320.010.A.4, SM 01320.010.A.7, and SM 00815.600.B.2.

<sup>12</sup> SSA, POMS, SM 00815.500.

<sup>13</sup> The e4345 is a Web-based application of the Form SSA-4345, *Record of Manual Title II Offset Computation*.

<sup>14</sup> The 1,298 days was the mean. The median was 1,037 days.



Of these 56 SSI windfall offset actions, SSA's automated system should have processed 3. Nevertheless, SSA employees did not take action when alerts were generated. Although the SSI offset determinations were completed, SSA had taken no action to release the OASDI benefits. The remaining 53 windfall offset actions required manual processing. However, SSA employees did not establish manual diaries or process requests for SSI windfall offset determinations as required. Without the manual diaries, these OASDI benefits may never be paid.

For example, in January 2010, SSA awarded OASDI benefits to an individual effective July 2003, resulting in \$42,138 in retroactive benefits withheld for potential SSI windfall offset. However, SSA employees did not manually complete the offset determination or establish a diary to ensure the offset was processed and any withheld benefits due and payable were released. As of March 2011, SSA had not paid the beneficiary any of the \$42,138 in retroactive benefits.

#### **SSI Windfall Offset Actions Incorrectly Processed**

SSA incorrectly processed the SSI windfall offset actions for 27 (10.8 percent) of the 250 beneficiaries in our sample. This occurred because SSA did not release the proper amount of OASDI benefits due and payable to these beneficiaries upon completion of the SSI offset determinations. All 27 windfall offset actions were processed manually. As a result, SSA improperly withheld or overpaid \$81,450 in OASDI benefits for these beneficiaries.

For 26 of the 27 SSI recipients, we found that SSA had released some but not all of the withheld OASDI benefits due and payable. These recipients were entitled to an

additional \$79,797. For one SSI recipient, SSA withheld and released \$6,755 but did not process the offset amount, resulting in a \$1,653 overpayment. For the 26 underpayments, the average length of time that SSA withheld the benefits was about 3 years (1,150 days).<sup>15</sup>

For example, in August 2004, SSA awarded OASDI benefits to an individual effective March 2002. SSA correctly withheld all retroactive benefits from March 2002 to July 2004, totaling \$35,402, pending an SSI windfall offset determination. In October 2004, SSA determined that no SSI offset applied, and the entire \$35,402 was payable. However, SSA only paid \$29,179 of the \$35,402 that was due. This occurred because the SSA employee who processed the action to pay the withheld benefits only released the withheld benefits from March 2002 to February 2004. The \$6,223 in benefits from March to July 2004 remained incorrectly withheld. As of March 2011, SSA had not paid the beneficiary the \$6,223.

### **SSI Windfall Offset Actions Not Timely Processed**

SSA did not process the SSI windfall offset actions for 95 (38 percent) of the 250 beneficiaries in our sample in a timely manner. Although SSA correctly processed the offset actions, they were not completed within 90 days. For these beneficiaries, we found that SSA did not disburse about \$1.1 million in OASDI benefits for an average of 314 days.<sup>16</sup>

For example, in July 2006, SSA awarded OASDI benefits to an individual effective March 2006. SSA correctly withheld the \$1,548 in retroactive benefits for March through June 2006 pending an SSI offset determination. However, SSA did not complete the SSI offset determination until June 2010. SSA determined that no SSI offset applied and all withheld benefits were payable. In July 2010, SSA released the \$1,548 in withheld benefits to the beneficiary. However, the beneficiary did not receive this amount until 4 years after SSA awarded benefits.

## **CONCLUSION AND RECOMMENDATIONS**

SSA needs to improve controls to ensure it accurately and timely pays OASDI benefits withheld pending an SSI windfall offset determination. We estimate that SSA withheld about \$306 million in OASDI benefits to beneficiaries whose SSI windfall offset actions were not processed. Of this amount, we estimate approximately \$232 million was payable to these beneficiaries. We also estimate that SSA improperly withheld or overpaid about \$51.5 million in OASDI benefits to beneficiaries whose windfall offset actions were not correctly processed. Finally, we estimate that SSA did not disburse about \$725.9 million in OASDI benefits to beneficiaries whose windfall offset actions were not timely processed (see Appendix C). Therefore, we recommend that SSA:

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<sup>15</sup> The 1,150 days was the mean. The median was 1,001 days.

<sup>16</sup> The 314 days was the mean. The median was 181 days.

1. Take appropriate action to complete the SSI windfall offset determinations and release the withheld OASDI benefits for the 83 beneficiaries whose offset actions were not processed or incorrectly processed, as identified by our audit.
2. Develop a plan to (a) identify and resolve the backlog of OASDI beneficiaries with pending SSI windfall offset determinations and (b) take corrective action on the remaining population of 52,382 OASDI beneficiaries whose SSI windfall offset actions were not processed or were incorrectly processed.
3. Implement additional controls to ensure SSI windfall offset actions are processed accurately and timely. For example, periodically identify and select for review beneficiaries with OASDI benefits withheld pending an SSI offset determination for an extended period.

## AGENCY COMMENTS

SSA agreed with Recommendations 1 and 3 and partially agreed with Recommendation 2. For Recommendation 2, SSA agreed to continue to identify and resolve pending windfall offset determinations and explore ways to ensure offset actions are completed timely and accurately. However, SSA did not agree to rework the population of unprocessed and incorrectly processed windfall offset actions. SSA believes the unprocessed cases were being controlled and processed and believes that identifying the incorrectly processed cases would require a review of all cases processed (correct and incorrect). Finally, SSA stated it recently provided its employees windfall offset training and agreed to evaluate the need for additional training. See Appendix D for the full text of SSA's comments.

## OIG RESPONSE

For the unprocessed windfall offset actions, we found that SSA field offices and processing centers were not controlling these cases. None of the pending cases in our sample were controlled by diaries or included on the e4345 Web-based application. As a result, these actions had been pending for an average of 3.5 years. SSA could readily identify this population by matching MBR windfall offset data to the Supplemental Security Record and its e4345 Website.

For the incorrectly processed windfall offset actions, we do not believe SSA would need to review every case already worked to identify this population. Our review found that 25 (92.5 percent) of the 27 cases in our sample of incorrectly processed cases contained discrepant offset data within SSA's payment records. As a result, SSA could perform a match to identify this population.



Patrick P. O'Carroll, Jr.

# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Sampling Methodology and Results

[APPENDIX D](#) – Agency Comments

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

## ***Appendix A***

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### **Acronyms**

|        |   |
|--------|---|
| MBR    | Master Beneficiary Record                   |
| OASDI  | Old-Age, Survivors and Disability Insurance |
| OIG    | Office of the Inspector General             |
| POMS   | Program Operations Manual System            |
| SSA    | Social Security Administration              |
| SSI    | Supplemental Security Income                |
| SSN    | Social Security Number                      |
| U.S.C. | United States Code                          |
| E4345  | electronic form 4345                        |

# **Scope and Methodology**

From the Social Security Administration's (SSA) Master Beneficiary Record (MBR), we obtained a data extract of 158,028 beneficiaries who had at least 1 month of Old-Age, Survivors and Disability Insurance (OASDI) benefits withheld pending a Supplemental Security Income (SSI) windfall offset determination as of March 2010.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act* and SSA's Program Operations Manual System;
- reviewed queries from SSA's MBR, Payment History Update System, electronic form 4345 Website, Claims File Record Management System, and Processing Center Action Control System;
- selected a random sample of 250 beneficiaries; and
- reviewed the actions SSA took to process the SSI windfall offset determinations and issue any withheld OASDI benefits accurately and timely.

We determined the computer-processed data from the MBR were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

We performed our audit work in Richmond, California, and Baltimore, Maryland, between August 2010 and March 2011. The entity audited was the Office of Operations under the Deputy Commissioner for Operations.

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.

# **Sampling Methodology and Results**

We obtained a data extract from the Social Security Administration's (SSA) Master Beneficiary Record of 158,028 beneficiaries who had at least 1 month of Old-Age, Survivors and Disability Insurance (OASDI) benefits withheld pending a Supplemental Security Income (SSI) windfall offset determination as of March 2010. We selected a random sample of 250 beneficiaries to determine whether SSA had adequate controls to ensure OASDI benefits that had been withheld pending an SSI windfall offset determination were paid accurately and timely.

### **SSI Windfall Offset Actions Not Processed**

We found that SSA had not processed the SSI windfall offset actions for 56 of the 250 beneficiaries in our sample. As a result, SSA withheld \$484,044 in OASDI benefits for which these beneficiaries may have been eligible. Projecting these results to our population of 158,028 beneficiaries, we estimate that SSA withheld about \$306 million in OASDI benefits for 35,398 beneficiaries.

### **SSI Windfall Offset Actions Incorrectly Processed**

We found that SSA incorrectly processed the SSI windfall offset actions for 27 of the 250 beneficiaries in our sample. As a result, SSA improperly withheld or overpaid \$81,450 in OASDI benefits for these beneficiaries. Projecting these results to our population of 158,028 beneficiaries, we estimate that SSA had improperly paid about \$51.5 million in OASDI benefits to 17,067 beneficiaries.

### **SSI Windfall Offset Actions Not Timely Processed**

We found that SSA did not timely process the SSI windfall offset actions for 95 of the 250 beneficiaries in our sample. As a result, SSA withheld about \$1.1 million in OASDI benefits for an average of 314 days. Projecting these results to our population of 158,028 beneficiaries, we estimate that 60,051 beneficiaries did not promptly receive about \$725.9 million in withheld OASDI benefits. The following tables provide the details of our sample results and statistical projections.

**Table 1 – Population and Sample Size**

| <b>Description</b> | <b>Number of Beneficiaries</b> |
|--------------------|--------------------------------|
| Population Size    | 158,028                        |
| Sample Size        | 250                            |

**Table 2 – SSI Windfall Offset Actions Not Processed**

| Description              | Number of Beneficiaries | OASDI Benefits Withheld |
|--------------------------|-------------------------|-------------------------|
| Sample Results           | 56                      | \$484,044               |
| Point Estimate           | 35,398                  | \$305,969,768           |
| Projection - Lower Limit | 28,648                  | \$190,900,946           |
| Projection - Upper Limit | 42,933                  | \$421,038,590           |

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

Of the 250 beneficiaries in our sample, we found that SSA correctly processed the SSI windfall offset actions for 167 beneficiaries, including 72 that were correct and timely, and 95 that were correct but not processed in a timely manner. For these beneficiaries, SSA withheld about \$2.31 million in OASDI benefits and subsequently paid about \$1.75 million (75.8 percent) after the SSI windfall offset actions. We applied this percentage to our sample results and estimate that \$366,905 of the \$484,044 is payable to the 56 beneficiaries. We also applied this percentage to the \$306 million in withheld OASDI benefits for the 35,398 beneficiaries, and estimate that approximately \$232 million is payable to these beneficiaries.

**Table 3 – SSI Windfall Offset Actions Incorrectly Processed**

| Description              | Number of Beneficiaries | Incorrect OASDI Benefits |
|--------------------------|-------------------------|--------------------------|
| Sample Results           | 27                      | \$81,450                 |
| Point Estimate           | 17,067                  | \$51,485,206             |
| Projection - Lower Limit | 12,225                  | \$24,691,727             |
| Projection - Upper Limit | 23,043                  | \$78,278,686             |

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

**Table 4 – SSI Windfall Offset Actions Not Timely Processed**

| Description              | Number of Beneficiaries | OASDI Benefits Not Paid Timely |
|--------------------------|-------------------------|--------------------------------|
| Sample Results           | 95                      | \$1,148,362                    |
| Point Estimate           | 60,051                  | \$725,893,318                  |
| Projection - Lower Limit | 51,962                  | \$536,139,157                  |
| Projection - Upper Limit | 68,477                  | \$915,647,479                  |

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

## ***Appendix D***

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

Date: October 24, 2011

Refer To: S1J-3

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

From: Dean S. Landis /s/  
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Old-Age Survivors and Disability Insurance Benefits Withheld Pending Supplemental Security Income Windfall Offset" (A-09-11-11130)--  
INFORMATION

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

Please let me know if we can be of further assistance. You may direct staff inquiries to Frances Cord at (410) 966-5787.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “OLD-AGE, SURVIVORS AND DISABILITY INSURANCE BENEFITS WITHHELD PENDING SUPPLEMENTAL SECURITY INCOME WINDFALL OFFSET” (A-09-11-11130)**

**Recommendation 1**

Take appropriate action to complete the Supplemental Security Income (SSI) windfall offset determinations and release the withheld Old-Age, Survivors and Disability Insurance (OASDI) benefits for the 83 beneficiaries whose offset actions were not processed or incorrectly processed.

**Response**

We agree.

**Recommendation 2**

Note: Recommendation 2 contains two distinct recommendations. We respond to each recommendation separately below.

**Recommendation 2 (a)**

Develop a plan to (a) identify and resolve the backlog of OASDI beneficiaries with pending SSI windfall offset determinations.

**Response**

We agree. However, the vast majority of these cases are not “backlogged.” Rather, they have been controlled and are being processed by our field offices and processing centers. We will continue to identify and resolve pending windfall offset determinations, and, as we noted in our response to recommendation 3, we continue to explore ways to ensure that we complete offset actions timely and accurately.

**Recommendation 2 (b)**

Develop a plan to (b) take corrective action on the remaining population of 52,382 OASDI beneficiaries whose SSI windfall offset actions were not processed or were incorrectly processed.

**Response**

We disagree. We would have to re-work all 122,630 cases to identify the estimated errors, which would mean reviewing cases we processed correctly. We cannot agree to re-work these cases, because we do not have sufficient resources to devote to that effort and it would adversely affect other critical workloads. However, we recently provided training sessions on advanced

windfall offset topics and techniques. We will continue to evaluate the need for additional training.

### **Recommendation 3**

Implement additional controls to process SSI windfall offset actions accurately in a timely manner. For example, periodically identify and select for review beneficiaries with OASDI benefits withheld pending an SSI offset determination for an extended period.

### **Response**

We agree. Over the past several years, we have actively pursued ways to improve, simplify, and further automate the process. We plan to automate additional functions that currently require manual computations to improve both timeliness and accuracy.

## ***Appendix E***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Vickie Choy, Auditor

Leticia Lew, Program Analyst

Jim Sippel, Senior Auditor

Wilfred Wong, Information Technology Specialist

Joseph Cross, Information Technology Specialist

Charles Zaepfel, Information Technology Specialist

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