

Audit Report

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



MEMORANDUM

Date: December 11, 2020 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Follow-up on Underpayments Payable to Terminated Old-Age, Survivors and Disability Insurance Beneficiaries (A-09-19-50848)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration took appropriate actions to pay underpayments due terminated beneficiaries and improve controls based on our prior audit recommendations.

If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit, at 410-965-9700.

A handwritten signature in black ink that reads "Gail S. Ennis".

Gail S. Ennis

Attachment

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

A-09-19-50848



December 2020

Office of Audit Report Summary

Objective

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

Background

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

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

Findings

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

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

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

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

Recommendations

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

SSA agreed with our recommendations.

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ABBREVIATIONS

OIG	Office of the Inspector General
SSA	Social Security Administration
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
U.S.C.	United States Code

OBJECTIVE

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

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program to provide monthly benefits to retired and disabled workers, including their dependents and survivors.¹ According to SSA policy, an underpayment is any monthly benefit amount due a beneficiary that SSA has not paid. Underpayments include unpaid accrued monthly benefits, uncashed checks representing correct payment to deceased beneficiaries, and/or returned payments.²

Terminated beneficiaries include living or deceased beneficiaries who are no longer receiving benefits. Before September 2017, when an underpayment was due a terminated living beneficiary, SSA's policy was to issue underpayments in the living beneficiary's name to the last address on record, and SSA employees were not required to make direct contact before issuing the payment.³ SSA changed its policy and, beginning September 2017, SSA employees must contact living terminated beneficiaries directly to obtain a current address and bank information, and verify their identity before they issue payments.⁴ When beneficiaries are deceased, SSA policy states the Agency should issue the payment to a surviving spouse, child, parent, or the legal representative of the decedent's estate.⁵ Underpayments can remain on the record indefinitely once SSA exhausts all efforts to locate eligible individuals.⁶

SSA's automated systems⁷ identify underpayments for terminated beneficiaries, record them as a special payment amount underpayment on the Master Beneficiary Record (MBR), and produce a one-time alert for SSA employees to determine whether they should issue the underpayment.⁸ When SSA's automated systems cannot process underpayments to terminated beneficiaries, SSA

¹ *Social Security Act*, 42 U.S.C. § 401 (govinfo.gov 2018).

² SSA, *POMS*, GN 02301.001 (September 14, 2017).

³ SSA, *POMS*, GN 02301.020 (August 15, 2012).

⁴ SSA, *POMS*, GN 02301.020, B.2 (September 14, 2017).

⁵ SSA, *POMS*, GN 02301.030, A (September 14, 2017).

⁶ SSA, *POMS*, GN 02301.020, B (September 14, 2017) and GN 02301.060, C (July 16, 2020).

⁷ This includes the Title II Redesign System and Returned Check Action Program.

⁸ The system will issue an underpayment without recording it as a special payment amount and employee review if (1) the beneficiary is entitled and eligible for the payment, (2) the beneficiary is terminated because he/she is entitled to other benefits or no longer caring for a disabled child, (3) the underpayment timeframe does not exceed 12 months, and (4) there is a strong likelihood of correct address and/or bank account information on the MBR.

employees must manually process and issue the underpayment.⁹ In most instances, SSA does not produce an alert after employees manually establish an underpayment.¹⁰

In a 2014 audit,¹¹ we found SSA needed to improve its controls and procedures to ensure it properly paid underpayments due terminated beneficiaries. We estimated (1) 55,925 terminated beneficiaries had \$122.6 million in underpayments SSA should have paid to eligible beneficiaries, and (2) 5,687 terminated beneficiaries had \$5.2 million in erroneous underpayments SSA should have removed from the MBR. Our report included several recommendations for corrective action, which SSA implemented.

For our current review, we identified 71,088 terminated beneficiaries who, according to the MBR, had underpayments totaling \$155 million. This included 27,126 deceased beneficiaries who had \$61 million in underpayments that may be payable to surviving beneficiaries in current pay and 43,962 living beneficiaries who had \$94 million in underpayments. These beneficiaries represent new underpayments since our prior audit. From this population, we selected a random sample of 100 beneficiaries for review. We also selected a random sample of 50 beneficiaries from the prior audit population to determine whether SSA took corrective action to issue the underpayments (see Appendix A).

RESULTS OF REVIEW

SSA did not always take proper actions to pay underpayments due terminated beneficiaries. In December 2015, SSA improved systems controls to pay underpayments due deceased beneficiaries to eligible surviving spouses. However, this control does not identify underpayments (1) over \$2,500, (2) due deceased beneficiaries who have no surviving spouse on the record, (3) due deceased beneficiaries who were terminated before 2011, or (4) due living beneficiaries. Based on our random sample, we estimate SSA did not

- issue underpayments to 27,724 eligible beneficiaries or individuals due approximately \$52.1 million,
- locate 17,772 beneficiaries or individuals eligible for approximately \$90.4 million in underpayments, and
- remove or correct erroneous underpayments recorded on the MBR for 4,265 beneficiaries totaling approximately \$6.7 million (see Appendix B).

⁹ SSA, *POMS*, GN 02301.020, A (September 14, 2017). SSA employees use the Manual Adjustment, Credit, and Award Process for OASDI transactions, including establishing underpayments.

¹⁰ SSA produces an alert for underpayments that are manually established for Medicare premium refunds due certain terminated beneficiaries. Our sample did not include any Medicare Premium refunds.

¹¹ SSA, OIG, *Underpayments Payable to Terminated Title II Beneficiaries*, A-09-13-23099 (December 2014).

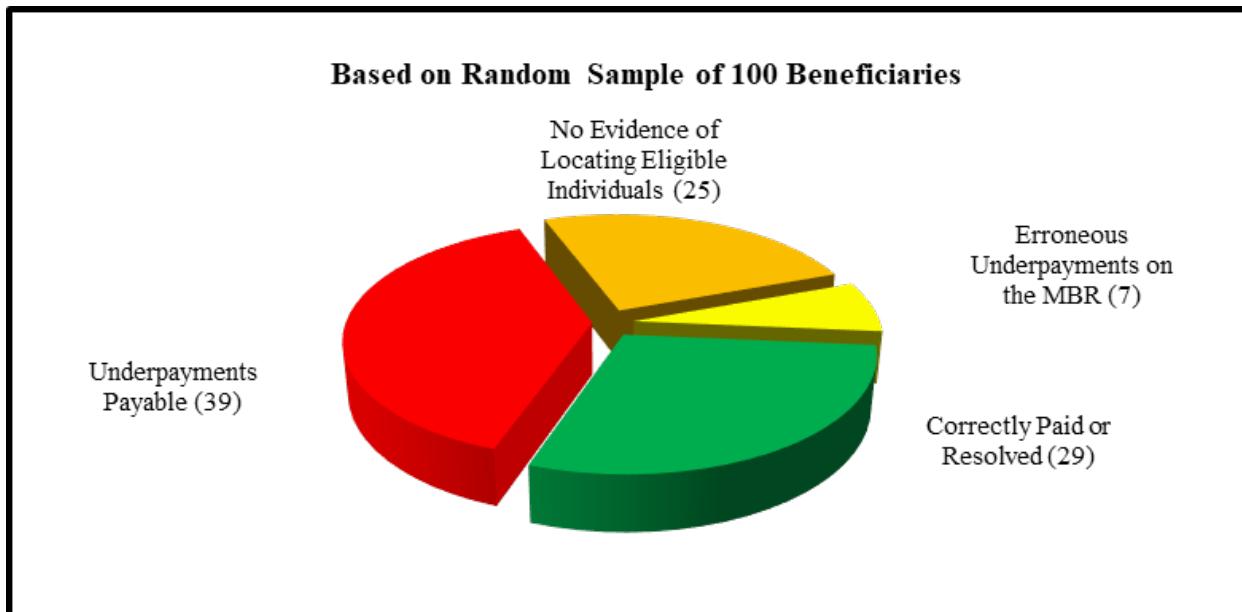
This occurred because SSA employees established 74 percent of these underpayments manually, and SSA systems did not generate alerts after they were established. In addition, SSA employees did not always (1) take action to issue underpayments due eligible beneficiaries, (2) locate beneficiaries or individuals eligible for the underpayment, or (3) ensure underpayments recorded on the MBR were correct or valid.

For the 100 terminated beneficiaries in our sample, we found

- 39 had underpayments that should be paid to eligible beneficiaries;
- 25 were cases where SSA did not locate the beneficiaries or individuals who were eligible for the underpayments;
- 7 had erroneous underpayments that should have been corrected or removed from the MBR; and
- 29 were cases where SSA took appropriate actions to locate the beneficiaries, issue the underpayments, and/or remove erroneous underpayments from the MBR.

Figure 1 summarizes the results of our review.

Figure 1: Underpayments Payable to Terminated Beneficiaries



Of the 50 sampled beneficiaries in our prior audit, SSA did not issue underpayments to 26 eligible individuals or remove 4 erroneous underpayments from the MBR. Based on these results, we believe SSA's corrective actions to address our prior audit recommendations were not sufficient to ensure it resolved and issued underpayments to eligible beneficiaries or individuals.

Underpayments Payable

For 39 of the 100 terminated beneficiaries, SSA did not pay \$73,341 in underpayments to eligible beneficiaries. This consisted of (1) \$65,896 payable to surviving beneficiaries or individuals on behalf of 33 deceased beneficiaries and (2) \$7,445 payable to 6 living beneficiaries.

Deceased Beneficiaries

According to SSA policy, it should pay underpayments due deceased beneficiaries to eligible individuals based on an established order of priority. SSA should pay underpayments to the surviving spouse, children, parent, or legal representative of the deceased person's estate. When there is more than one individual in the highest order of priority, SSA must divide the underpayment equally among the entitled individuals.¹² In response to our 2014 audit, SSA implemented a clean-up operation in December 2015 that identified and automatically sent underpayments of less than \$2,500 due deceased beneficiaries to surviving spouses who were entitled to benefits on the same record as the deceased. SSA performed subsequent clean-up operations in December 2016, August 2018, and April 2019. In April 2019, SSA began performing the clean-up operation annually. However, the clean-up operation does not identify deceased beneficiaries who have underpayments over \$2,500 or do not have an eligible surviving spouse on the record. According to SSA, these underpayments need to be manually reviewed to ensure payment accuracy, reduce the potential to overpay the surviving spouse on the same record as the deceased, and identify the proper recipient for the underpayment when no surviving spouse is on the record.

SSA did not pay \$65,896 on behalf of 33 deceased beneficiaries. These underpayments were payable to surviving beneficiaries on the MBR. However, SSA employees had not taken actions to pay these surviving individuals. Of these surviving beneficiaries, 27 were receiving benefits and 6 were not. For 30 of the 33, there was no evidence of systems alerts to remind SSA employees to resolve the underpayments. For the remaining three, SSA generated a one-time alert; however, SSA employees did not take action to issue the underpayments. Of the 30 with no evidence of an alert, SSA employees manually established 28 and the automated system established 2.

¹² SSA, *POMS*, GN 02301.030, B (September 14, 2017).

SSA's clean-up operation should have identified and paid underpayments to eight surviving spouses in current payment status. SSA stated it would identify these underpayments in its April 2020 clean-up operation. SSA's clean-up operation did not identify the remaining 24 underpayments because there was no surviving spouse on the record, the underpayment was over \$2,500, or the surviving spouse was in suspended payment status.

For example, a beneficiary entitled to retirement benefits died in April 2014. An SSA employee manually recorded a \$1,967 underpayment on the MBR because the bank returned her March 2014 benefit as part of the reclamation process.¹³ The surviving spouse was in current pay status and entitled to the underpayment. SSA did not generate an alert because the underpayment was manually established. As of September 2020, SSA had not paid the underpayment to the surviving spouse.

Living Beneficiaries

Before September 2017, when an underpayment was due a terminated living beneficiary, SSA's policy was to issue the underpayment in the beneficiary's name to the last address on record.¹⁴ SSA did not pay \$7,445 in underpayments to six living beneficiaries whom SSA identified before September 2017. We found no evidence that SSA took action to pay the beneficiaries based on the last address on record or notify the beneficiaries of the underpayment.

SSA employees manually recorded the underpayments for four of the six beneficiaries on the MBR. As such, there were no systems alerts to remind SSA employees to resolve the underpayments. SSA's automated system recorded the remaining two beneficiaries' underpayments and generated a one-time alert. SSA does not have a periodic or follow-up alert to identify these underpayments.

For example, a child was entitled to benefits under her mother's payment record from March 2011 to June 2014. In June 2014, SSA's system recorded a \$630 underpayment on the MBR because the beneficiary's mother died, which resulted in an increase of benefits for May 2014. In July 2014, SSA terminated her benefits because she attained age 18 and was no longer eligible for child benefits. SSA's system generated an alert to remind the employee to resolve the underpayment. However, the employee did not issue the underpayment to the last address on the MBR or notify the beneficiary of the underpayment. Since there is no periodic or follow-up alert to remind the SSA employee to resolve the underpayment, SSA had not notified the beneficiary or paid the beneficiary as of September 2020.

¹³ The Department of the Treasury uses the reclamation process to reclaim Federal benefit payments issued after death. SSA, *POMS*, GN 02408.610, A (September 03, 2020).

¹⁴ SSA, *POMS*, GN 02301.020 (August 15, 2012).

No Evidence of the Agency Attempting to Locate Eligible Individuals

When an underpayment is due a deceased beneficiary, SSA must determine the proper recipient. SSA must identify potential recipients, the order of priority and attempt to locate potential recipients for the underpayment.¹⁵ Beginning in September 2017, when an underpayment is due a living terminated beneficiary, SSA employees must attempt to locate the beneficiary to obtain current address and bank information. SSA employees must also verify the beneficiary's identity before it issues a payment.¹⁶ Additionally, SSA employees should document their attempts to locate the potential recipient or beneficiary.¹⁷ We found no evidence SSA attempted to locate the 25 beneficiaries or individuals in our sample who may have been eligible for \$127,113 in underpayments.

Deceased Beneficiaries

SSA did not pay \$21,363 on behalf of 10 deceased beneficiaries. SSA recorded underpayments for seven that were conserved funds¹⁸ or electronic fund transfer payments made before the beneficiary's death that the financial institution returned after death as part of the reclamation process. SSA policy states conserved funds and electronic fund transfer payments made before a beneficiary's death are payable to the legal representatives of the deceased beneficiary's estate.¹⁹ The remaining three beneficiaries had no eligible surviving beneficiaries on the MBR to receive the payment. We found no evidence of SSA employees' attempts to contact or locate eligible individuals for the payments due to these deceased beneficiaries.

For 8 of the 10 deceased beneficiaries, we found no evidence of systems alerts to remind SSA employees to resolve the underpayments. SSA's automated system recorded the underpayment and generated a one-time alert for the remaining two beneficiaries. SSA does not have a periodic or follow-up alert for these 10 underpayments. In addition, SSA's clean-up operation did not identify these cases because the deceased beneficiaries had no surviving spouses on the record.

¹⁵ SSA, *POMS*, GN 02301.060 (July 16, 2020).

¹⁶ SSA, *POMS*, GN 02301.020, B.2 (September 14, 2017).

¹⁷ SSA, *POMS*, GN 02301.020, B.2 (September 14, 2017) and GN 02301.060, C (July 16, 2020).

¹⁸ Conserved funds are benefit payments returned by the beneficiary's representative payee.

¹⁹ SSA, *POMS*, GN 02301.001, B (September 14, 2017) and GN 02301.075, C (November 18, 2020).

Living Beneficiaries

SSA did not pay \$105,750 in underpayments to 15 living beneficiaries. Of these, 12 had underpayments established in September 2017 or later. SSA had suspended the remaining three for either address or returned checks, which required that SSA obtain their current address before it issued the underpayment.²⁰ We found no evidence SSA employees attempted to locate the 15 beneficiaries to issue the underpayments. SSA employees manually recorded 9 of the 15 beneficiaries' underpayments on the MBR, and there were no systems alerts to remind employees to resolve the underpayments. SSA's automated system recorded the remaining six beneficiaries' underpayments and generated a one-time alert. SSA does not have a periodic or follow-up alert for underpayments due living terminated beneficiaries.

Erroneous Underpayments

For seven beneficiaries in our sample, SSA had erroneous underpayments, totaling \$16,197, recorded on the MBR. SSA improperly established \$14,628 for five beneficiaries and incorrectly recorded \$1,569 on the MBR for two.

Underpayments Improperly Established

SSA did not remove \$14,628 in erroneous underpayments from the MBR for five beneficiaries. These resulted from returned payments that were not payable. Of these, three beneficiaries elected to withdraw their OASDI benefits because they wanted to re-apply later for higher benefits. The beneficiaries returned all their payments, and SSA improperly established \$10,766 in underpayments for these beneficiaries. For the remaining two beneficiaries, SSA issued payments for the month of death.²¹ OASDI beneficiaries are not entitled to benefits for the month of death or later.²² The bank returned these payments and SSA improperly established \$3,862 in underpayments for these deceased beneficiaries. Since SSA improperly recorded the underpayments on the MBR, SSA should remove them to ensure they are not subsequently paid.

For example, a beneficiary died in March 2017. In April 2017, SSA was not aware of the beneficiary's death and issued a \$1,868 payment for the month of death. In the same month, SSA received the death report, the financial institution returned the payment to SSA, and SSA improperly recorded the \$1,868 on the MBR as an underpayment. As of September 2020, SSA had not removed the underpayment from the MBR.

²⁰ If an underpayment of \$50 or more is returned for address reasons or the benefits were in suspense status, SSA must take action to obtain a better address for the beneficiary and, if possible, reissue the payment. SSA, POMS, GN 02301.020, B (September 14, 2017).

²¹ SSA was not aware of the beneficiaries' death when it issued the payments. However, SSA received their death information before the underpayments were established.

²² SSA, POMS, GN 02408.005, C (November 03, 2008).

Underpayment Amount Incorrectly Recorded

SSA incorrectly calculated the underpayment amount for two beneficiaries. SSA recorded \$1,409 more than the correct amount for one beneficiary and calculated \$160 less than the correct amount for one beneficiary. As a result, SSA may issue the incorrect underpayment amount to eligible beneficiaries.²³

Agency Actions in Response to Our Prior Audit

Our 2014 audit²⁴ found SSA needed to improve its controls and procedures to ensure it properly paid underpayments on behalf of terminated beneficiaries. We estimated SSA should have (1) paid \$122.6 million to 55,925 eligible beneficiaries and (2) removed \$5.2 million in erroneous underpayments from the MBR for 5,687 terminated beneficiaries. We recommended SSA (1) take appropriate action to pay underpayments to eligible beneficiaries identified by our audit, (2) remove erroneous underpayments from the MBR for beneficiaries identified by our audit, (3) implement a cost-effective approach for correcting and/or paying the population of terminated beneficiaries with underpayments on the MBR, and (4) improve controls to ensure employees resolve and pay underpayments to eligible beneficiaries and remove underpayments from the MBR when they are paid. SSA agreed with, and implemented, our recommendations.

In December 2015, SSA improved controls to pay underpayments due deceased beneficiaries to eligible surviving spouses. SSA developed a clean-up operation²⁵ to identify and automatically send underpayments of less than \$2,500 due deceased beneficiaries to surviving spouses who were entitled to benefits on the same record as the deceased. The clean-up operation did not include deceased beneficiaries with a termination date prior to year 2011. According to SSA, it established these parameters because (1) manual review of underpayments over \$2,500 reduces the potential to overpay the surviving spouse, (2) SSA's policy requires manual review of underpayments due deceased beneficiaries who do not have a surviving spouse on the same record to determine the proper recipient for the underpayment, and (3) SSA's system has a 4-year retroactivity limitation.

²³ For these cases, SSA attempted to locate beneficiaries for the underpayment. However, we found no evidence of a response and these underpayments were not paid.

²⁴ SSA, OIG, *Underpayments Payable to Terminated Title II Beneficiaries, A-09-13-23099* (December 2014).

²⁵ SSA performed clean-up operations in December 2015, December 2016, August 2018, and April 2019. In April 2019, the Agency began performing the clean-up operation annually.

To determine whether SSA took corrective actions for the population of terminated beneficiaries from our 2014 audit, we reviewed a random sample of 50 beneficiaries and found SSA did not take corrective action for 30. Specifically, 26 beneficiaries had \$61,474 in underpayments that SSA should have paid to eligible individuals, and 4 beneficiaries had \$3,487 in erroneous underpayments SSA should have removed from the MBR. As of April 2020, SSA had not taken corrective action for any of the 30 beneficiaries. The clean-up project did not identify these cases because the beneficiaries were (1) living, (2) terminated before 2011, or (3) did not have a surviving spouse on the record. Additionally, SSA does not have a periodic or follow-up alert for these underpayments.

Based on the results of our current review, we believe SSA needs further improvement in its controls to ensure it issues underpayments to eligible beneficiaries or individuals. SSA's controls do not identify underpayments for all terminated beneficiaries. Specifically, they do not identify underpayments (1) over \$2,500, (2) due deceased beneficiaries who had no surviving spouse on the record, (3) due deceased beneficiaries who were terminated before 2011, or (4) due living beneficiaries. We believe a periodic or follow-up alert to identify unresolved underpayments would improve SSA's controls to ensure it properly pays underpayments due terminated beneficiaries.

CONCLUSIONS

SSA had not taken sufficient action to pay underpayments due terminated beneficiaries identified in our 2014 audit. Since our 2014 audit, we identified an additional 71,088 terminated beneficiaries who, according to the MBR, had underpayments totaling \$155 million. Based on our current review, we continue to find SSA needs to improve its controls to ensure it takes proper action to pay underpayments due terminated beneficiaries.

AGENCY ACTIONS RESULTING FROM THE AUDIT

In October 2019, we provided SSA 37 of our sampled beneficiaries who required corrective action and, in April 2020, we provided an additional 34. As of September 2020, SSA took action to pay underpayments for six cases. SSA had not taken corrective action for the remaining 65.²⁶

²⁶ Includes 59 underpayments payable to eligible beneficiaries and 6 erroneous underpayments recorded on the MBR.

RECOMMENDATIONS

We recommend that SSA:

1. Take action to pay underpayments to eligible beneficiaries for the 85 terminated beneficiaries identified by our audit.²⁷
2. Remove or correct the erroneous underpayments on the MBR for the 10 beneficiaries identified by our audit.²⁸
3. Identify and take action on the population of terminated beneficiaries with underpayments payable to eligible beneficiaries and individuals.
4. Revise its alerts or clean-up project operation to identify and resolve underpayments for terminated beneficiaries.

AGENCY COMMENTS

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



Michelle L. Anderson
Assistant Inspector General for Audit

²⁷ This includes 59 beneficiaries from our current audit population and 26 beneficiaries from our 2014 audit population.

²⁸ This includes six beneficiaries from our current audit population and four beneficiaries from our 2014 audit population.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

We obtained from the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) a data extract of terminated beneficiaries who had a special payment amount underpayment on the MBR as of March 2019. Using this information, we identified 71,088 terminated beneficiaries between May 2013 and March 2019 with underpayments of \$100 or more on the MBR. This consisted of (1) 27,126 deceased beneficiaries with underpayments that may have been payable to surviving beneficiaries in current pay and (2) 43,962 living beneficiaries.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, the United States Code, and SSA’s Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations, Systems, and Retirement and Disability Policy;
- reviewed a random sample of (1) 100 terminated beneficiaries with special payment amount underpayments of \$100 or more from our 2019 data extract and (2) 50 terminated beneficiaries with special payment amount underpayments of \$100 or more from our 2013 data extract;
- reviewed queries from SSA’s MBR, Payment History Update System, and Numident;
- reviewed SSA’s Online Retrieval System, Claims Folder Records Management System, and Paperless Read Only Query System for supporting documentation; and
- determined whether SSA had paid the underpayments to an eligible beneficiary or individual.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following component and principles as significant to the audit objective.

- Component 3: Control Activities
 - Principle 10: Design control activities
 - Principle 12: Implement control activities

We determined 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 October 2019 and August 2020. The entities audited were the Offices of Operations and Systems under 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 terminated beneficiaries who had a special payment amount underpayment on the MBR as of March 2019. Using this information, we identified 71,088 terminated beneficiaries between May 2013 and March 2019 with underpayments of \$100 or more on the MBR. From this population, we selected a random sample of 100 beneficiaries for review.

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	71,088
Sample Size	100

Underpayments Payable to Beneficiaries

For 39 of the 100 terminated beneficiaries in our sample, SSA did not pay \$73,341 in underpayments to eligible beneficiaries. Projecting our sample results to the population of 71,088 beneficiaries, we estimate 27,724 terminated beneficiaries had approximately \$52.1 million in underpayments that SSA should have paid to eligible beneficiaries or individuals.

Table B–2: Underpayments Payable

Description	Beneficiaries	Underpayments
Sample Results	39	\$73,341
Point Estimate	27,724	\$52,136,735
Projection - Lower Limit	21,907	\$25,205,472
Projection - Upper Limit	33,898	\$79,067,999

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

No Evidence of the Agency Locating Eligible Individuals

For 25 of the 100 terminated beneficiaries in our sample, SSA did not locate or contact beneficiaries or individuals eligible for \$127,113 in underpayments. Projecting our sample results to the population of 71,088 beneficiaries, we estimate SSA did not locate or contact 17,772 beneficiaries or individuals eligible for approximately \$90.4 million in underpayments.

Table B–3: No Evidence of the Agency Locating Eligible Individuals

Description	Beneficiaries	Underpayments
Sample Results	25	\$127,113
Point Estimate	17,772	\$90,362,288
Projection - Lower Limit	12,811	\$33,988,797
Projection - Upper Limit	23,549	\$146,735,780

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

Erroneous Underpayments

For 7 of the 100 terminated beneficiaries in our sample, SSA had \$16,197 in erroneous underpayments on the MBR. Projecting our sample results to the population of 71,088 beneficiaries, we estimate 4,265 terminated beneficiaries had approximately \$6.7 million in erroneous underpayments on the MBR that SSA should have removed or corrected.

Table B–4: Erroneous Underpayments

Description	Beneficiaries	Underpayments
Sample Results ¹	6	\$9,457
Point Estimate	4,265	\$6,722,508
Projection - Lower Limit	1,882	\$1,763,207
Projection - Upper Limit	8,171	\$11,681,809

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

¹ One error of \$6,740 was a statistical outlier compared to the other errors; therefore, we excluded it from our projections.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 1, 2020

Refer To:

To: Gail S. Ennis
Inspector General

A handwritten signature in blue ink that reads "Stephanie Hall".

From: Stephanie Hall
Chief of Staff

Subject: Office of the Inspector General Draft Report, "Follow-up: Underpayments Payable to Terminated Old-Age, Survivors and Disability Insurance Benefits" (A-09-19-50848) – INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

**Mission:**

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA's programs and operations.

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