

Audit Report

Disabled Beneficiaries Who Are
Eligible for Higher Retirement
Benefits

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: January 30, 2015 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Disabled Beneficiaries Who Are Eligible for Higher Retirement Benefits (A-09-13-23054)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration had adequate controls to inform disabled beneficiaries when they were eligible for higher retirement benefits.

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

Disabled Beneficiaries Who Are Eligible for Higher Retirement Benefits

A-09-13-23054



January 2015

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to inform disabled beneficiaries when they were eligible for higher retirement benefits.

Background

The Social Security Act provides monthly benefits to disabled workers. Workers' compensation (WC) provides benefits to workers injured on the job or have a work-related illness. A public disability benefit (PDB) is required by a law or plan of a Federal, State, or local government entity. The Social Security Act requires that SSA reduce Social Security disability benefits when a beneficiary receives WC/PDB.

When disabled beneficiaries reach age 62, SSA employees must determine whether they are eligible for higher retirement benefits. SSA employees must also notify disabled beneficiaries when their monthly retirement benefits would exceed their monthly disability benefits. If a disabled beneficiary elects retirement benefits, SSA processes a retirement application and pays the higher monthly benefit. If a beneficiary does not elect retirement benefits, SSA should document the reason in its electronic files.

We identified 64,911 disabled beneficiaries over age 62 whose benefits were reduced by WC/PDB and who may have been eligible for higher retirement benefits.

Findings

SSA needs to improve its controls to ensure it notifies disabled beneficiaries when they are eligible for higher retirement benefits. Based on our random sample, we estimate that 17,137 disabled beneficiaries were eligible for higher retirement benefits totaling approximately \$105.6 million.

This occurred because SSA employees did not inform disabled beneficiaries when they were eligible for the higher retirement benefits or document the reasons beneficiaries did not elect higher retirement benefits, as required.

Recommendations

1. Take appropriate action for the 66 beneficiaries identified by our audit.
2. Evaluate the results of its corrective actions for the 66 beneficiaries and take appropriate action to notify the remaining population of disabled beneficiaries who may be eligible for higher retirement benefits.
3. Improve controls to ensure disabled beneficiaries are informed when they are eligible for higher retirement benefits or document the reason beneficiaries did not elect higher retirement benefits.

SSA agreed with our recommendations.

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ABBREVIATIONS

MBR	Master Beneficiary Record
OIG	Office of the Inspector General
PDB	Public Disability Benefits
POMS	Program Operations Manual System
RETAP	Regular Transcript Attainment and Selection Pass
SSA	Social Security Administration
WC	Workers' Compensation

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to inform disabled beneficiaries when they were eligible for higher retirement benefits.

BACKGROUND

The *Social Security Act*¹ provides monthly benefits to disabled workers. Workers' compensation (WC) provides benefits to individuals who are injured on the job or have a work-related illness. A public disability benefit (PDB) is required by a law or plan of a Federal, State, or local government entity. When a beneficiary receives WC/PDB, the *Social Security Act* requires that SSA reduce the disability benefit by the WC/PDB amount until the beneficiary reaches age 65 or the WC/PDB payments stop. However, WC/PDB does not reduce SSA retirement benefits.²

When disabled beneficiaries attain age 62 and are eligible for retirement benefits, SSA employees must determine whether they are eligible for higher retirement benefits. SSA employees must also notify disabled beneficiaries when their monthly retirement benefits will exceed their monthly disability benefits. If a disabled beneficiary elects retirement benefits, SSA processes a retirement application and pays the higher monthly benefits. If a beneficiary does not elect retirement benefits, SSA employees must document the reason in its records.³

From the Master Beneficiary Record (MBR), we identified 64,911 disabled beneficiaries over age 62 whose benefits were reduced by WC/PDB and who may have been eligible for higher retirement benefits. From this population, we selected a random sample of 250 beneficiaries for review (see Appendix A).

RESULTS OF REVIEW

SSA needs to improve its controls to ensure it notifies disabled beneficiaries when they are eligible for higher retirement benefits. Based on our random sample, we estimate that 17,137 disabled beneficiaries were eligible for higher retirement benefits totaling approximately \$105.6 million.

This occurred because SSA employees did not inform disabled beneficiaries when they were eligible for the higher retirement benefits or document the reasons beneficiaries did not elect higher retirement benefits, as required.

¹ The *Social Security Act*, § 223 [42 U.S.C. 423].

² The *Social Security Act*, § 224 [42 U.S.C. 424a], SSA, POMS, DI 52101.001 (April 22, 2010).

³ SSA, POMS, DI 52150.030 (September 3, 2009).

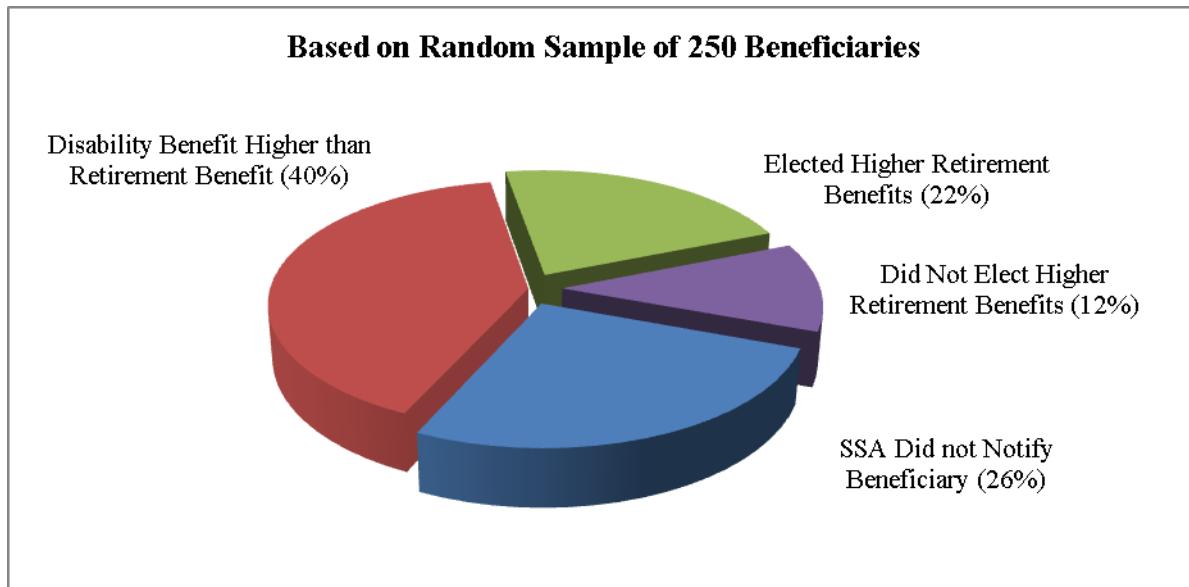
We are 90-percent confident the number of disabled beneficiaries eligible for higher retirement benefits ranged from 14,184 to 20,363, and the amount of additional benefits ranged from \$75.3 to \$135.9 million (see Appendix B).

For the 250 beneficiaries in our sample, we found that SSA

- had not notified 66 (26 percent) beneficiaries when they were eligible for higher retirement benefits or documented the reason beneficiaries did not elect higher retirement benefits,
- was not required to notify 101 (40 percent) beneficiaries because their retirement benefits were lower than their disability benefits,
- notified 54 (22 percent) beneficiaries who elected higher retirement benefits, and
- notified 29 (12 percent) beneficiaries who did not elect the higher retirement benefits.

The following figure summarizes the results of our review.

Figure 1: Disabled Beneficiaries Who Were Eligible for a Higher Retirement Benefit



Disabled Beneficiaries Eligible for Higher Retirement Benefits

SSA did not inform 66 (26 percent) of the 250 disabled beneficiaries in our sample that they were eligible for higher retirement benefits, totaling \$406,691, or had not documented the reason beneficiaries did not elect higher retirement benefits. This included

- 23 beneficiaries who were initially entitled to disability benefits at age 62 or older and
- 43 beneficiaries who were initially entitled to disability benefits before age 62.

Disabled Beneficiaries Initially Entitled to Benefits After Age 62

According to Social Security policy,⁴ SSA employees should consider entitlement to retirement benefits when a beneficiary files an application for disability benefits within 4 months of age 62. The *Social Security Act* also states that an individual entitled to both disability and retirement benefits shall be entitled to the higher benefit unless the individual elects the lower benefit.⁵ SSA policy states that special care must be taken when a retirement benefit claim is clearly advantageous compared to the disability benefit claim. The retirement benefit claim may be more advantageous if the claimant receives WC/PDB. If a beneficiary elects to receive the lower benefit, SSA must document in its electronic records the discussion and the reason for not filing for the higher retirement benefits.⁶

We found that 23 disabled beneficiaries were eligible for higher retirement benefits. These beneficiaries were initially entitled to disability after reaching age 62. As such, SSA employees should have informed the beneficiaries they were eligible for higher retirement benefits. However, we found no evidence that SSA informed the beneficiaries or the beneficiaries elected to receive the lower disability benefit. Additionally, SSA had no systems controls to remind SSA employees that they must determine whether beneficiaries are eligible for higher retirement benefits when WC/PDB is involved. These 23 disabled beneficiaries could have received \$71,975 in higher retirement benefits.

For example, a beneficiary became entitled to disability benefits in December 2009 at age 63. The beneficiary would have received \$1,237 per month in disability benefits; however, WC reduced her monthly benefit amount by \$870. Consequently, the beneficiary received a \$367 monthly benefit. Had the beneficiary elected retirement benefits at age 63, she would have received \$1,031 per month. We found no evidence that SSA informed the beneficiary she was eligible for higher retirement benefits or that she elected to receive the lower disability benefit. SSA should have compared the retirement benefit amount to the disability benefit amount after the WC reduction. Since her retirement benefit was higher, SSA should have discussed the results with the beneficiary and documented why she did not elect the higher retirement benefits. As a result, from December 2009 to May 2011 the beneficiary could have received an additional \$11,935 in retirement benefits.

Disabled Beneficiaries Initially Entitled to Benefits Before Age 62

For beneficiaries who were initially entitled to disability benefits before age 61 years and 9 months, SSA's Regular Transcript Attainment and Selection Pass (RETAP) program generates an alert for disabled beneficiaries with WC/PDB on their payment record. SSA employees must then calculate the retirement benefit amount and compare it to the disability benefit after the

⁴ SSA, POMS, DI 52150.030 (B) (1) (September 3, 2009).

⁵ The *Social Security Act*, § 202 (k) (4).

⁶ SSA, POMS, DI 11010.085 (D) (September 13, 2010) and POMS, DI 52150.030 (B) (5) (September 3, 2009).

WC/PDB reduction. If the retirement benefit amount is higher, SSA employees must inform beneficiaries they are eligible for a higher retirement benefit. If a beneficiary chooses not to file for the higher benefit, SSA employees must document the reason for not filing in SSA's electronic records.⁷

We found that 43 beneficiaries were eligible for higher retirement benefits. These beneficiaries were entitled to disability benefits before age 61 years and 9 months, and SSA should have generated a RETAP alert. We reviewed SSA's electronic records and found no evidence that SSA had notified the 43 beneficiaries. If beneficiaries chose not to file for the higher retirement benefits, SSA employees should have documented the discussion and the reason for not filing for the higher retirement benefits.⁸ Had SSA properly notified the 43 beneficiaries of their eligibility for higher benefits, they could have received an additional \$334,716 in retirement benefits.

For example, a beneficiary became entitled to disability benefits in September 2006 at age 57. In January 2011, at age 62, the beneficiary was eligible for retirement benefits. Three months before the beneficiary turned 62, RETAP should have alerted an SSA employee that the beneficiary was receiving disability benefits with a WC offset.⁹ The beneficiary's monthly disability benefit of \$1,679 was reduced by \$1,219. Consequently, the beneficiary was paid \$460. Had SSA notified the beneficiary he was eligible for higher retirement benefits, he could have received \$1,136 in retirement benefits. However, we found no evidence that SSA notified the beneficiary or that he declined the higher retirement benefits. As a result, the beneficiary could have received an additional \$20,608 in retirement benefits between January 2011 and December 2013.

CONCLUSIONS

SSA needs to improve its controls to ensure it notifies disabled beneficiaries when they are eligible for higher retirement benefits. Based on our random sample, we estimate that 17,137 disabled beneficiaries were eligible for higher retirement benefits totaling approximately \$105.6 million. This occurred because SSA employees did not inform disabled beneficiaries they were eligible for the higher retirement benefits or document the reasons beneficiaries did not elect higher retirement benefits, as required (see Appendix B).

⁷ SSA, POMS, DI 52150.030 (September 3, 2009).

⁸ Id.

⁹ Id.

RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action for the 66 beneficiaries identified by our audit.
2. Evaluate the results of its corrective actions for the 66 beneficiaries and take appropriate action to notify the remaining population of disabled beneficiaries who may be eligible for higher retirement benefits.
3. Improve controls to ensure disabled beneficiaries are informed when they are eligible for higher retirement benefits or document the reason beneficiaries did not elect higher retirement benefits.

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 64,911 disabled beneficiaries who attained age 62 after December 2002 and whose disability benefits had been offset by workers' compensation and/or public disability benefits (WC/PDB).

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 Management Analyst from the Office of Operations, Office of Public Service and Operations Support; SSA Systems Analyst from the Office of Systems, Office of Retirement and Survivors Insurance Systems;
- reviewed a random sample of 250 beneficiaries;
- reviewed SSA's Claims File Records Management System, Online Retrieval System, Paperless System, Shared Process Evidence, Processing Center Action Control System, and the Modernized Claims System; and
- used SSA's Interactive Computation Facility to determine the amount of benefits payable to the disabled beneficiaries if they had elected retirement benefits.

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 objectives.

We evaluated the adequacy of SSA's controls and procedures to ensure SSA employees notified disabled beneficiaries with WC/PDB of their eligibility for higher retirement benefits.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between January and July 2014. The entity audited was the Office of Operations under the Office of 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.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained from the Social Security Administration's (SSA) Master Beneficiary Record a data extract of 64,911 disabled beneficiaries who attained age 62 after December 2002 and whose disability benefits had been offset by workers' compensation and/or public disability benefits. From this population, we selected a random sample of 250 records for review.

We found that SSA had not notified 66 of the 250 disabled beneficiaries that they were eligible for higher retirement benefits or had not documented the reason beneficiaries did not elect higher retirement benefits. Projecting our sample results to the population of 64,911 beneficiaries, we estimate that 17,137 beneficiaries could have received an additional \$105.6 million in higher retirement 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	64,911
Sample Size	250

Table B-2: Disabled Beneficiaries Eligible for Higher Retirement Benefits

Description	Beneficiaries	Additional Benefits
Sample Results	66	\$406,691
Point Estimate	17,137	\$105,594,956
Projection - Lower Limit	14,184	\$75,336,659
Projection - Upper Limit	20,363	\$135,853,252

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 30, 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, "Disabled Beneficiaries Who Are Eligible for Higher Retirement Benefits" (A-09-13-23054) - 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,
"DISABLED BENEFICIARIES WHO ARE ELIGIBLE FOR HIGHER RETIREMENT
BENEFITS" (A-09-13-23054)**

Recommendation 1

Take appropriate action for the 66 beneficiaries identified by our audit.

Response

We agree. We will take appropriate action for the 66 beneficiaries by the end of March 2015.

Recommendation 2

Evaluate the results of its corrective actions for the 66 beneficiaries and take appropriate action to notify the remaining population of disabled beneficiaries who may be eligible for higher retirement benefits.

Response

We agree. We will evaluate the results of our corrective actions for the 66 beneficiaries and take appropriate action to notify the remaining population by the end of fiscal year 2015.

Recommendation 3

Improve controls to ensure disabled beneficiaries are informed when they are eligible for higher retirement benefits or document the reason beneficiaries did not elect higher retirement benefits.

Response

We agree in concept with the recommendation. We are committed to ensuring individuals receive benefits due. We currently have an agency-wide initiative underway to identify potential entitlements, and will include this recommendation as one of the items for analysis and assessment by the components working on this initiative.

Appendix D – MAJOR CONTRIBUTORS

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

Daniel Hoy, Senior Auditor

Wilfred Wong, Audit Data Specialist

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