

Underpayments Payable to Terminated Title II Beneficiaries

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Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) took appropriate actions to pay underpayments due terminated 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.

Based on the address in its records, SSA should issue underpayments to living terminated beneficiaries or their representative payees. When underpaid beneficiaries are deceased, SSA should pay the underpayment to a surviving spouse, child, parent, or the legal representative of the decedent's estate. SSA's automated system identifies underpayments for terminated beneficiaries, records them as a special payment amount (SPA) underpayment on the Master Beneficiary Record (MBR), and produces an alert for SSA employees to determine whether they should pay the underpayment. SSA does not produce an alert when employees manually establish an underpayment.

For our current review, we identified 94,788 terminated beneficiaries who, according to the MBR, had underpayments totaling \$173.5 million.

Our Findings

SSA needs to improve its controls to ensure it properly pays underpayments due terminated beneficiaries. Based on our random sample, we estimate that

- 55,925 terminated beneficiaries were due \$122.6 million in underpayments that SSA should have paid to eligible beneficiaries, and
- 5,687 terminated beneficiaries had \$5.2 million in erroneous underpayments that SSA should have removed from the MBR.

Generally, this occurred because there was no systems alert when SSA employees manually establish underpayments. In addition, SSA employees did not always (1) pay underpayments to eligible beneficiaries, (2) remove underpayments from the MBR when they were paid, or (3) ensure underpayments recorded on the MBR were valid.

Our Recommendations

We recommend that SSA:

1. Take appropriate action to pay underpayments to eligible beneficiaries for the 92 terminated beneficiaries identified by our audit.
2. Take appropriate action to remove erroneous underpayments from the MBR for the 12 beneficiaries identified by our audit.
3. Implement a cost-effective approach for correcting and/or paying the population of terminated beneficiaries with SPA underpayments on the MBR.
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 our recommendations.