

*Audit Report*

Accuracy of Manual Actions for  
Old-Age, Survivors and Disability  
Insurance Underpayments  
over \$6,000

**MEMORANDUM**

**Date:** December 2, 2019 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Accuracy of Manual Actions for Old-Age, Survivors and Disability Insurance Underpayments over \$6,000 (A-03-18-50703)

The attached final report presents the results of the Office of Audit's review. The objectives were to determine whether the Social Security Administration processed Old-Age, Survivors and Disability Insurance underpayments accurately via the Manual Adjustment, Credit, and Award Data Entry system.

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



Gail S. Ennis

Attachment

# Accuracy of Manual Actions for Old-Age, Survivors and Disability Insurance Underpayments over \$6,000

## A-03-18-50703



December 2019

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) processed Old-Age, Survivors and Disability Insurance (OASDI) underpayments accurately via the Manual Adjustment, Credit, and Award Data Entry system.

### Background

SSA's OASDI program provides monthly benefits to retired and disabled workers, including their dependents, and survivors of insured workers. An OASDI underpayment is any full or partial monthly benefit payment that is due a person but has not been paid.

SSA employees must manually issue underpayments when the Agency's automated systems cannot process the payments. Manually issued OASDI underpayments over \$6,000 require that a secondary reviewer ensure processing and payment accuracy.

From 1 segment of the Payment History Update System, we identified 13,953 OASDI underpayments over \$6,000 from September 2016 to July 2018. We reviewed 160 Claim Account Numbers (CAN) from which 211 underpayments were issued to determine whether the underpayments were accurate and issued in accordance with SSA policy. The CAN is the Social Security number of the wage earner on whose record benefits are being paid.

### Findings

Of 160 sampled CANs with 211 underpayments, SSA incorrectly calculated 50 underpayments for 27 (17 percent), which resulted in payment errors totaling \$244,768. We estimate 31,380 CANs with underpayments over \$6,000 issued from September 26, 2016 through July 13, 2018 had payment errors totaling approximately \$80.8 million. The payment errors were caused by incorrect benefit computations, failure to consider beneficiaries' multiple entitlements, duplicate payments, rounding, and failure to apply the appropriate offsets. SSA has automated tools to help ensure payment accuracy. Based on our referral, as of July 2019, SSA has taken corrective actions for 19 of the 27 CANs.

Furthermore, of the 211 underpayments reviewed, 95 (45 percent) had at least 1 processing error because technicians failed to follow established policy and procedures. The processing errors included technicians' failure to (1) conduct secondary reviews for underpayments over \$6,000; (2) issue notices to beneficiaries informing them of the underpayments; (3) verify address, direct deposit, and/or representative payee data for terminated and suspended beneficiaries; and (4) have appropriate staff conduct secondary reviews.

### Recommendations

We made four recommendations including that SSA review the remaining 3,572 CANs with 4,132 underpayments from Sampling Frame 3 to determine whether the underpayments were paid accurately and take corrective action where appropriate, and evaluate the use of automated tools to alert technicians of factors that affect underpayment amounts and conduct refresher training to ensure technicians are properly using the tools.

SSA agreed with our recommendations.

## TABLE OF CONTENTS

Objective .....	1
Background .....	1
Results of Review .....	3
Improper Payments .....	4
Payment Errors by PSCs .....	8
Processing Errors .....	9
Conclusions .....	10
Recommendations .....	10
Agency Comments .....	10
Appendix A – Scope and Methodology .....	A-1
Appendix B – Sampling Results and Projections .....	B-1
Appendix C – Agency Comments .....	C-1

## **ABBREVIATIONS**

CAN	Claim Account Number
ICFwiz	Interactive Computation Facility Wizard
MACADE	Manual Adjustment, Credit, and Award Data Entry
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
PHUS	Payment History Update System
POMS	Program Operations Manual System
PSC	Program Service Center
SSA	Social Security Administration
SSN	Social Security Number

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) processed Old-Age, Survivors and Disability Insurance (OASDI) underpayments accurately via the Manual Adjustment, Credit, and Award Data Entry (MACADE) system.

## BACKGROUND

The OASDI program provides monthly benefits to retired and disabled workers, including their dependents, and survivors of insured workers.<sup>1</sup> An OASDI underpayment is any full or partial monthly benefit amount that is due a person but has not been paid.<sup>2</sup> An underpayment is only payable after the amount is adjusted for any overpayment for which the beneficiary is liable.<sup>3</sup>

SSA's automated systems detect and process most underpayments due living beneficiaries. However, when the systems cannot process the underpayments or the underpayments are due deceased beneficiaries, technicians must manually process the underpayments through MACADE or the Single Payment System.<sup>4</sup> For this review, we focused on underpayments processed using MACADE. Before technicians issue an underpayment, they should review the Master Beneficiary Record<sup>5</sup> to ensure beneficiaries are in current pay status. If the beneficiary is in a terminated or suspended status, the technician must determine current address and banking information to ensure the payment is issued to the correct individual. In addition, to ensure processing and payment accuracy, SSA requires that underpayments over \$6,000 issued using MACADE undergo a second review by a person other than the one who initiated the action. Specifically, either a Benefit Authorizer or a Post-Entitlement Technical Expert in one of the eight program service centers (PSC) conducts the secondary review by completely reworking the manual action. Finally, when SSA takes an action that affects a beneficiary's payment amount, it must notify the beneficiary in writing of the change and his/her due-process rights.<sup>6</sup>

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<sup>1</sup> *Social Security Act*, 42 U.S.C. §§ 401, 402, 423 (govinfo.gov 2017).

<sup>2</sup> *Social Security Act*, 42 U.S.C. § 404 (govinfo.gov 2017); SSA, *POMS*, GN 02301.001 (September 14, 2017).

<sup>3</sup> SSA, *POMS*, GN 02210.006, C (October 12, 2018).

<sup>4</sup> MACADE is the online data entry system designed to enter manual transactions up to \$29,999.99 per beneficiary per transaction. The Manual Adjustment, Credit, and Award Process is the nightly batch system that processes MACADE inputs to the Master Beneficiary Record. The Single Payment System releases appointed representative fee payments and other OASDI payments that cannot be made through MACADE.

<sup>5</sup> The Master Beneficiary Record is the electronic record of numberholders who have filed for Retirement, Survivors, Disability, or Medicare benefits. It includes such information as the beneficiary's name, date of birth, date of entitlement, monthly benefit payable, and date of death, if applicable.

<sup>6</sup> SSA, *POMS*, GN 02301.010, A (September 14, 2017).

The PSCs pay OASDI benefits and maintain beneficiary records, and their workload includes both initial claims and post-entitlement actions. For example, Benefit Authorizers establish, maintain, and update the Master Beneficiary Record. They make final determinations on the full range of post-adjudicative actions, entitlement to benefits, continuing entitlement to benefits, and payment amounts. Table 1 shows the location of the eight PSCs as well as their workloads.

**Table 1: SSA's Eight Processing Centers**

Processing Center		Workload
PSC 1	Northeastern	Have jurisdiction of Social Security numbers (SSN) based on the first three digits of the SSN. Process initial and post-entitlement actions for OASDI benefits.
PSC 2	Mid-Atlantic	
PSC 3	Southeastern	
PSC 4	Great Lakes	
PSC 5	Western	
PSC 6	Mid-America	
PSC 7	Office of Disability Operations	Process disability claims and post-entitlement actions for wage earners under the age of 54 residing in the United States and End Stage Renal Disease Medicare records.
PSC 8	Division of International Operations	Process benefit claims and post-entitlement actions for wage earners with foreign addresses.

SSA's Program Operations Manual System (POMS) contains policies and procedures SSA employees use. To help clarify SSA policy and provide additional instruction to staff, the PSCs develop local operations bulletins, POMS supplements, and training guides. All eight PSCs have developed local guidance for processing underpayments over \$6,000. However, POMS is the authoritative source for local guidance.

The local guidance PSCs 1, 2, and 4 issued was most similar to POMS and did not have significant additional instructions. PSCs 3, 5, and 6 had local guidance that contained more restrictive requirements than POMS, such as the requirement to review MACADE actions over \$6,000 before the payment is released, whereas POMS allows this review to be completed after the payment is released. Finally, the local guidance issued by PSCs 7 and 8 was not consistent with POMS because it allowed Development and Support Examiners to complete the secondary review of underpayments over \$6,000, instead of Benefit Authorizers or Post-Entitlement Technical Experts, as required by SSA policy. In PSCs 7 and 8, the Development and Support Examiner provides a variety of technical and clerical support. In March 2019, SSA updated its local policy for PSCs 7 and 8 to require secondary reviews by a Benefit Authorizer in accordance with POMS.

From 1 segment of the Payment History Update System (PHUS)<sup>7</sup> for September 26, 2016 through July 13, 2018, we identified 12,806 Claim Account Numbers (CAN) that had 13,953 underpayments, totaling approximately \$177 million, issued to 13,632 individuals. The CAN is the SSN of the wage earner on whose record benefits are being paid. The wage earner may have dependents/survivors who are entitled to benefits on his/her benefit record. We reviewed the underpayments at the CAN level to ensure all the beneficiaries on the record were paid correctly. From the 12,806 CANs, we reviewed 160 with 211 underpayments from 4 sample frames to determine whether the underpayments were processed accurately. We selected four sample frames based on the local guidance requirements and the amount of the underpayments.<sup>8</sup>

## RESULTS OF REVIEW

SSA did not always accurately process OASDI underpayments over \$6,000. Of the 160 sampled CANs with 211 underpayments, SSA incorrectly calculated 50 underpayments for 27 CANs (17 percent) that resulted in payment errors totaling \$244,768: \$54,521 in overpayments and \$190,247 in underpayments. The payment errors occurred because of incorrect benefit computations, failure to consider beneficiaries' multiple entitlements, duplicate benefit payments, rounding, and failure to apply the appropriate offsets.

As shown in Table 2, Sample Frames 2 and 3 had the highest number of CANs with payment errors. Sample Frame 2 had nine payment errors, totaling \$14,831, and Sample Frame 3 had nine payment errors, totaling \$34,894. We did not project the sample results for Sample Frames 1 and 4 because of the variance in the range of payment errors. Based on the results for Sample Frames 2 and 3, we estimate 31,380 CANs with underpayments over \$6,000 issued from September 26, 2016 through July 13, 2018 had payment errors totaling approximately \$80.8 million. See Appendix B for our projection methodology.

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<sup>7</sup> SSA records payments to OASDI beneficiaries in the PHUS. The PHUS is divided into 20 segments based on the last 2 digits of the recipient's SSN. One PHUS segment represents 5 percent of the total population of recipients. Because each segment contains similar characteristics, the audit's results represent the entire population.

<sup>8</sup> See Appendix A for additional information related to our scope and sampling methodology.

**Table 2: Payment Errors by Sample Population**

Sample Frame	PSC	Sample Criteria (Local Policy)	Payment Errors	Error Amount	Range of Payment Errors
1 <sup>a</sup>	2, 4, 5	Same as POMS	4	\$37,263	\$54 to \$29,762
2	3, 5, 6	More Restrictive than POMS	9	14,831	\$243 to \$6,405
3	7, 8	Inconsistent with POMS	9	34,894	\$81 to \$10,048
4	4, 7	Top 10 Underpayments	5	157,780	\$3,451 to \$60,770
<b>Total</b>			<b>27</b>	<b>\$244,768</b>	

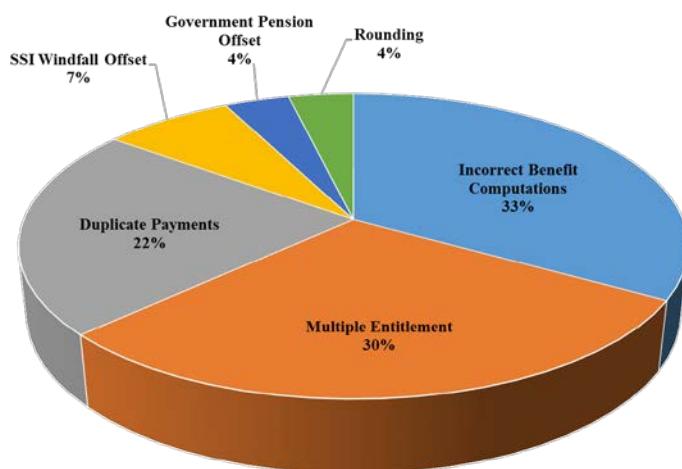
**Note:** While Sample Frame 1 comprised PSCs 1, 2, and 4, PSC 5 processed one payment error case that was also assigned to PSC 1. The individual's retirement benefit was assigned to PSC 1 whereas the individual's widow's benefit was assigned to PSC 5. As a result, PSC 1 did not have any payment errors.

Additionally, 95 (45 percent) of the 211 underpayments reviewed had at least 1 processing error because technicians failed to follow established policy and procedures. The types of processing errors included failure to (1) conduct secondary reviews for underpayments over \$6,000, (2) issue notices to beneficiaries for change in benefit payment amount, and (3) verify address and banking information for beneficiaries. In addition, for PSC 7, the secondary reviews for 45 underpayments were conducted by staff in the Development and Support Examiner position, which was not consistent with SSA policy.

## Improper Payments

For the 160 sample CANs we reviewed, 27 had payment errors totaling \$244,768. SSA overpaid beneficiaries \$54,521 for 12 CANs and underpaid beneficiaries \$190,247 for 15 CANs. The payment errors occurred because staff did not always follow policy when they considered other factors that affected the payment amount or erroneously calculated the payment amount. Also, secondary reviews were not always effective in identifying payment errors. Staff had performed secondary reviews for 21 of the 27 CANs but did not detect \$215,131 in payment errors.

**Figure 1: Reasons for Payment Errors**



- Incorrect Benefit Computations – Nine CANs had 12 underpayments totaling \$26,551 because technicians incorrectly calculated beneficiaries' payment amounts or did not consider all events when they calculated the benefits due. For instance, in March 2017, after a beneficiary successfully appealed a termination of benefits, a technician issued the beneficiary \$10,048 in retroactive benefits; however, the beneficiary was overpaid approximately \$15,275 because the technician did not consider all the benefits the beneficiary received before the termination as well as assessed overpayments. The secondary reviewer approved the underpayment.
- Multiple Entitlement – Eight CANs with 21 underpayments had payment errors totaling \$157,941 because technicians did not properly consider a beneficiary's entitlement on more than 1 CAN or all beneficiaries entitled on the record when they calculated the underpayments. These cases are more complex because technicians are required to analyze multiple beneficiaries and Social Security records to determine the proper payment amount.<sup>9</sup> For example, one CAN had a \$46,876 underpayment because technicians incorrectly calculated the monthly benefit amounts for four children. Three children became entitled to benefits on the CAN effective November 2013. SSA processed the entitlements in April 2017, issuing \$24,715 to each of the three children, totaling \$74,145. Two of the children along with two additional children were already entitled to survivor's benefits on another CAN. When SSA awarded the benefits in April 2017, the benefit amounts for all five children entitled on the two CANs should have been updated because of the monthly benefit payment changes resulting from the new entitlements. However, when the technician calculated the monthly benefit payments, he/she failed to follow policy when applying the family maximum limits.<sup>10</sup> Therefore, the children were underpaid \$46,876 for the period November 2013 through June 2019. The secondary reviewer approved the underpayments.
- Duplicate Payments – Six CANs with six underpayments had payment errors totaling \$17,553 because duplicate payments were issued or duplicate Medicare premiums were withheld for a benefit payment month. For instance, effective August 2004, a beneficiary's monthly benefit increased because the Windfall Elimination Provision was removed from his record.<sup>11</sup> In September 2017, the beneficiary was due a retroactive payment for August 2004 to August 2017 because SSA processed the removal. SSA issued a \$12,908 payment. However, when the technician recalculated the retroactive payment, he/she did not include

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<sup>9</sup> SSA, POMS, RS 00615.020 (August 21, 2014).

<sup>10</sup> The family maximum limits the amount of monthly benefits that can be paid on any one record. If the total monthly original benefits exceed the family maximum, the amount paid to each dependent or survivor must be adjusted downward proportionately. SSA, POMS, RS 00615.730 (September 16, 2002) and RS 00615.754 (May 23, 2006).

<sup>11</sup> The Windfall Elimination Provision eliminates "windfall" Social Security benefits for retired and disabled beneficiaries receiving pensions from employment not covered by Social Security. Under the Provision, a modified benefit formula is required to determine a wage earner's monthly Social Security retirement benefit. *Social Security Act*, 42 U.S.C. § 415(a)(7)(B) (govinfo.gov 2017); 20 C.F.R. § 404.213 (govinfo.gov 2019), and SSA, POMS, RS 00605.360 (June 24, 2013).

\$7,218 in replacement payments in the underpayment calculation. When an original and replacement benefit payment are received in the same benefit month, one must be returned.<sup>12</sup> As a result, the beneficiary was overpaid \$7,218. No secondary review was documented for the underpayment.

- Supplemental Security Income (SSI) Windfall Offset<sup>13</sup> – Two CANs with nine underpayments had payment errors totaling \$12,907 because technicians did not apply the SSI offset appropriately. When SSA pays OASDI benefits, those benefits must be reduced by the amount of increased SSI payments.<sup>14</sup> SSI offsets are often computed through an automated process. However, SSA employees must manually calculate the SSI offset in complex cases. For example, a beneficiary became entitled to OASDI benefits in October 2013 and SSI payments in November 2013. Because the beneficiary was entitled to both OASDI and SSI for the same months, the OASDI benefit payments were subject to SSI offset from November 2013 through February 2018. However, in February 2018, a technician issued the beneficiary a \$12,329 payment in OASDI benefits, although policy and documentation in SSA's system stated to withhold SSI offset. Therefore, the beneficiary was overpaid \$12,329. No secondary review was documented for the underpayment.
- Government Pension Offset<sup>15</sup> Withholdings – One CAN was underpaid \$29,762 because SSA initially determined the Government Pension Offset amount was higher than the individual's monthly spousal benefit amount. Therefore, she was placed in a suspended payment status and not paid any spousal benefits from July 1992 to February 2013 or widow's benefits from March 2013 to February 2017. In August 2016, a technician determined the beneficiary had accumulated 60 months of covered work and therefore should not have been subject to Government Pension Offset. A technician removed the pension information from her record in March 2017, and she was issued an \$8,190 underpayment. However, the technician did not remove the Government Pension Offset for July 1992 to February 2013, which resulted in an additional \$29,762 outstanding underpayment.<sup>16</sup> The secondary reviewer approved the underpayment. This beneficiary is deceased, so SSA will need to determine the proper recipient for the underpayment.

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<sup>12</sup> SSA, *POMS*, GN 02406.135, B.6 (October 29, 2008).

<sup>13</sup> SSI Windfall Offset is the reduction of OASDI retroactive benefits due the receipt of SSI payments. It applies when the SSI payments would have been less (or zero) had OASDI benefits been paid timely.

<sup>14</sup> SSA, *POMS*, GN 02610.005, A (April 25, 2012).

<sup>15</sup> Government Pension Offset reduces monthly Social Security benefits for spouses, divorced spouses, and widows who also receive a pension based on their own employment for a Federal, State, or local government not covered by Social Security. SSA, *POMS*, GN 02608.100 (June 21, 2016).

<sup>16</sup> SSA, *POMS*, GN 02608.100 (June 21, 2016); GN 02608.300, A (May 2, 2017); and GN 02608.301 (March 8, 2013).

- Rounding – One CAN with an underpayment had a payment error totaling \$54 because of incorrect dollar down rounding.<sup>17</sup> On October 18, 2016, SSA issued an \$8,369 underpayment to a beneficiary because her spousal benefits changed to widow’s benefits when her spouse died. SSA combines monthly benefit amounts payable from the same trust fund into one monthly payment. However, the two monthly benefit amounts were not rounded correctly when the payments were combined. Because the two benefit amounts were not rounded correctly before the monthly payments were issued, the beneficiary was underpaid \$54. The secondary reviewer approved the underpayment.

On May 17, 2019, we referred all 27 cases to SSA to resolve the improper payments. As of July 2019, the Agency had resolved 19 of the cases, and 8 remained outstanding.

SSA developed automated tools to assist technicians with processing payments to ensure payment accuracy, such as the Interactive Computation Facility Wizard (ICFwiz), Rates, and MacPaste tools. ICFwiz automates some commonly used rate computations, provides computations that are not available through SSA’s system, and can propagate Government Pension Offset data. The interactive Rates tool performs rate computations outside the mainframe, allowing for a broader scope than the mainframe. MacPaste assists technicians by inputting data to MACADE, which eliminates keying errors. SSA has automated tools to help ensure payment accuracy. We reviewed the PSCs’ use of the three automated tools for Calendar Years 2016 through 2018 and found some PSCs use the tools more than others do.<sup>18</sup> For instance, during the 3 years, PSC 6 processed approximately 1.3 million transactions using the automated tools, representing the highest use. PSC 7 processed fewer than 10,000 transactions during the 3 years, representing the lowest use, see Table 3.

**Table 3: PSC Use of ICFwiz, Rates, and MacPaste tools, Calendar Years 2016 to 2018**

PSC	ICFwiz	MacPaste	Rates	Total
1	313,607	192,796	71,690	578,093
2	251,677	165,120	74,973	491,770
3	192,730	245,132	219,910	657,772
4	135,422	136,419	259,896	531,737
5	153,115	190,206	163,997	507,318
6	524,941	347,148	400,123	1,272,212
7	38	9,362	75	9,475
8	16,630	4,890	1,826	23,346
<b>Total</b>	<b>1,588,160</b>	<b>1,291,073</b>	<b>1,192,490</b>	<b>4,071,723</b>

**Source:** SSA’s Resource Utilization Monitoring System data.

<sup>17</sup> SSA, *POMS*, RS 00601.020 (February 9, 2011).

<sup>18</sup> We obtained management information from SSA’s Resource Utilization Monitoring System to determine the use of automated tools by PSCs for Calendar Years 2016 to 2018. We did not conduct reliability testing to determine the completeness or accuracy of the data.

## Payment Errors by PSCs

For 7 of the 8 PSCs, the total sample CANs with payment errors ranged from 2 to 11 and the total amount ranged from \$3,247 to \$180,121, see Table 4. PSCs 1, 2, 4, and 8 had the fewest payment errors. However, PSC 4 had the second highest payment error amount of \$33,213. We did not identify any payment errors for PSC 1.

PSC 7 had the most and largest payment errors. Until March 2019, PSCs 7 and 8 allowed Development and Support Examiners to conduct secondary reviews for underpayments over \$6,000, which is not consistent with SSA policy. PSC 7 has jurisdiction of Disability Insurance records for individuals under age 54. The disability cases tend to be more complex because they often involve retroactive disability benefit payments and such issues as SSI offset or workers' compensation offset. For example, in FY 2018, PSC 7 processed 129,259 (38.5 percent) of the 335,631 actions involving OASDI benefits withheld for SSI Windfall Offset whereas the remaining 7 PSCs processed 24,104 to 47,699 (7.2 to 14.2 percent) of the actions.

**Table 4: Payment Errors by PSC**

PSC	CANs Reviewed	Payment Errors	Underpayments		Overpayments		Total Payment Errors
			Cases	Dollars	Cases	Dollars	
<b>Local Policy Similar to POMS</b>							
1	10	0	0	\$0	0	\$0	\$0
2	13	2	1	5,033	1	2,414	7,447
4	23	2	1	29,762	1	3,451	33,213
<b>Local Policy More Restrictive than POMS</b>							
3	19	4	2	1,550	2	6,648	8,198
5	17	3	1	54	2	3,387	3,441
6	19	3	2	1,483	1	1,764	3,247
<b>Local Policy Inconsistent with POMS</b>							
7	54	11	8	152,365	3	27,755	180,120
8	5	2	0	0	2	9,102	9,102
<b>Total</b>	<b>160</b>	<b>27</b>	<b>15</b>	<b>\$190,247</b>	<b>12</b>	<b>\$54,521</b>	<b>\$244,768</b>

## Processing Errors

When technicians process underpayments, they must follow policies and procedures to ensure the right amount is paid to the right person. We found 95 (45 percent) of the 211 underpayments had at least 1 processing error because staff did not follow SSA policies when they issued underpayments over \$6,000.<sup>19</sup> The types of processing errors included the following.

- No Secondary Review – 30 (14 percent) underpayments were issued without a secondary review, as required, which may have contributed to improper payments totaling \$29,637 for 11 underpayments related to 6 CANs.
- Incorrect Secondary Reviewer Position – Development and Support Examiners conducted a secondary review of 45 (21 percent) underpayments, which did not comply with SSA policy. SSA policy requires either a Benefit Authorizer or a Post-Entitlement Technical Expert conduct a secondary review for underpayments over \$6,000. Benefit Authorizers are responsible for making the final determination on the full range of post-adjudicative actions, and Post-Entitlement Technical Experts are responsible for processing the most complex and sensitive post-entitlement cases. Primarily, the Development and Support Examiner is responsible for a variety of administrative and clerical duties and may not have received the appropriate training to review and approve underpayments over \$6,000. Development and Support Examiner employees performed secondary reviews for 13 underpayments related to 4 CANs that had improper payments totaling \$101,080. In March 2019, SSA updated its local policy for PSCs 7 and 8 to require secondary reviews by a Benefit Authorizer in accordance with POMS.
- Notices Not Issued - 34 (16 percent) underpayments were issued without notices informing the beneficiaries about changes to the benefit payment. Policy states that, when SSA takes an action that affects a beneficiary's payment amount, the Agency must notify the beneficiary in writing of the change and his/her due-process rights.<sup>20</sup>
- No Development for Terminated and Suspended Beneficiaries - seven (3 percent) underpayments were not fully reviewed for beneficiaries who were in a terminated or suspended status. When a beneficiary is in a terminated or suspense status, technicians are required to update the current address and banking information before they issue the payment to ensure the payment is issued to the correct individual. Additionally, the underpayment should be issued directly to the individual if the beneficiary is not a minor or incompetent.<sup>21</sup> Since these cases were not properly processed, the underpayments were issued to the wrong person, address, or bank account. For example, a child beneficiary's payments were terminated in July 2007 when she attained age 18. An SSA employee issued a \$21,138 retroactive payment to her former representative payee in December 2017. As the

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<sup>19</sup> Of the 95 underpayments, 76 had 1 processing error, and the remaining 19 contained 2 or 3 processing errors.

<sup>20</sup> SSA, *POMS*, GN 02301.010 (September 14, 2017).

<sup>21</sup> SSA, *POMS*, GN 02301.020 (September 14, 2017).

beneficiary was 28-years-old when the retroactive payment was made, the technician should have contacted the beneficiary to determine a current address and bank data and issued the underpayment to her instead of her former representative payee.

## CONCLUSIONS

SSA did not always process underpayments over \$6,000 accurately, which resulted in improper payments. This occurred because staff did not follow procedures for calculating benefit amounts, consider beneficiaries' multiple entitlements to benefits, deduct benefit payments previously paid, and offset benefit payments when appropriate. In addition, staff did not always conduct a secondary review to ensure payment accuracy. We also found that 45 percent of the underpayments reviewed had at least one processing error which indicated that staff was not following policy.

## RECOMMENDATIONS

We recommend that SSA:

1. Take corrective action for the remaining eight CANs with payment errors.
2. Review the remaining 3,572 CANs with 4,132 underpayments from Sample Frame 3, focusing on underpayments PSCs processed not using appropriate staff to conduct secondary reviews and with the most significant payment errors, to determine whether the underpayments were paid accurately and take corrective action where appropriate.
3. Evaluate the use of automated tools to alert technicians of factors that affect underpayment amounts and conduct refresher training to ensure technicians are properly using the tools.
4. Establish a process to provide assurance that appropriate personnel conduct and document secondary reviews of underpayments over \$6,000.

## AGENCY COMMENTS

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



Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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To accomplish our objective, we:

- Reviewed applicable Federal laws and sections of the *Social Security Act* and the Social Security Administration's (SSA) Program Operations Manual System, technical guidance, and reports.
- Reviewed prior Office of the Inspector General reports.
- Obtained from one segment of the Payment History Update System all the underpayments processed through the Manual Adjustment, Credit, and Award Data Entry system from September 2016 to July 13, 2018 and were over \$6,000. We identified 12,806 Claim Account Numbers (CAN) that had 13,953 underpayments totaling \$177 million issued to 13,632 individuals. The CAN is the Social Security number of the wage earner on whose record benefits are being paid.
- Stratified the population into four sampling frames based on the local guidance issued by the program service center (PSC).
  - Sample Frame 1: A random sample of 50 from 4,077 CANs assigned to PSCs 1, 2, and 4, which has local policy consistent with POMS. The sample CANs included 50 underpayments totaling \$618,846.
  - Sample Frame 2: A random sample of 50 from 5,097 CANs assigned to PSCs 3, 5, and 6, which has local policy that is more restrictive than POMS. The sample CANs included 55 underpayments totaling \$648,862.
  - Sample Frame 3: A random sample of 50 from 3,622 CANs assigned to PSCs 7 and 8, which has local policy that is not consistent with POMS. The sample CANs included 56 underpayments totaling \$746,824.
  - Sample Frame 4: A sample of 10 CANs that had the highest benefit underpayment amount totaling \$870,145, ranging from \$74,145 to \$123,849. The sample CANs included 50 underpayments.
- For our sample cases, we analyzed information using the following systems to determine whether the underpayments were processed accurately.
  - Master Beneficiary Record to determine facts including beneficiaries' dates of entitlement and suspension months.
  - Payment History Update System to determine historical payment-related actions.
  - Informational/Certified Earnings Record or the Interactive Computation Facility to determine the Primary Insurance Amount for the CAN.
  - Paperless Read Only Query System to determine the material that initiated the action leading to the issuance of the sampled underpayment, as well as review the technicians' actions and recorded determinations on the incoming material.
  - Online Retrieval System to determine whether SSA notified beneficiaries of the underpayments.

- Master Earnings File to determine the appropriate work suspension months, when applicable.
  - Medicare Direct Billing System, where applicable,<sup>1</sup> to determine Medicare premiums paid.
  - Supplemental Security Record to determine facts including dates of entitlement, historical payment information, and suspension months.
- We reviewed all beneficiaries on the record from which the underpayment was issued. We included any beneficiary on the record affected by the underpayment action, even if he/she was not issued an underpayment. We calculated each beneficiary's payments on a payment worksheet and cited a payment error if our calculation was over \$1 more or less than the issued underpayment. For cases where we identified a payment error, we calculated benefits paid and payable to the beneficiary through June 2019. We excluded cases where SSA took corrective actions before July 2019, unless the correction action was based on our referral.
- Obtained management information from SSA's Resource Utilization Monitoring System to determine the use of automated tools by PSCs for Calendar Years 2016 to 2018. We did not conduct reliability testing to determine the completeness or accuracy of the data.

We conducted this audit at the Philadelphia Audit Division, Philadelphia, Pennsylvania, from May through August 2019. We tested the data obtained for our audit and determined they were sufficiently reliable to meet our objective. The principal entity audited was 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>1</sup> The Medicare Direct Billing system controls billing for Medicare premiums for beneficiaries who do not receive Social Security benefits. This includes all beneficiaries who are (or were) billed directly for their Medicare premiums.

## **Appendix B – SAMPLING RESULTS AND PROJECTIONS**

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We obtained a data extract from 1 segment of the Payment History Update System (PHUS),<sup>1</sup> from September 26, 2016 to July 13, 2018 and identified 12,806 Claim Account Numbers (CAN) that had 13,953 underpayments totaling approximately \$177 million issued to 13,632 individuals. The CAN is the SSN of the wage earner on whose record benefits are being paid. The wage earner may have dependents/survivors who are entitled to benefits on their benefit record. For each sampled CAN, we reviewed the underpayments at the CAN level to ensure all beneficiaries on the record were paid correctly.

From the 12,806 CANs, we reviewed 160 from the following sampling frames to determine whether the underpayments were processed accurately and in accordance with SSA policy. We selected the sampling frames based on the program service centers (PSC) local guidance requirements and the amount of the underpayments. To help clarify SSA policy and provide additional instruction to staff, the PSCs develop local operations bulletins, POMS supplements, and training guides. All eight PSCs have developed local guidance for processing underpayments over \$6,000.

- Sample Frame 1 represented PSCs 1, 2, and 4, which have local policy consistent with POMS.
- Sample Frame 2 represented PSCs 3, 5, and 6, which have local policy that was more restrictive than POMS.
- Sample Frame 3 represented PSCs 7 and 8, which have local policy that was not consistent with POMS.
- Sample Frame 4 represented the top 10 underpayments across our population. These underpayments were processed by PSCs 3, 4, 5, and 7.

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<sup>1</sup> SSA records payments to OASDI beneficiaries in the PHUS. The PHUS is divided into 20 segments based on the last 2 digits of the recipient's SSN. One PHUS segment represents 5 percent of the total population of recipients. Because each segment contains similar characteristics, the audit's results represent the entire population.

## Sample Errors and Projections

Our review of the 160 CANs with underpayments over \$6,000 found that 27 CANs had payment errors totaling \$244,768.

- Sample Frame 1 had 4 CANs with payment errors totaling \$37,263, ranging from \$54 to \$29,762 that were assigned to PSCs 1, 2, and 4.<sup>2</sup>
- Sample Frame 2 had 9 CANs with payment errors totaling \$14,831, ranging from \$243 to \$6,405 that were assigned to PSCs 3, 5, and 6.
- Sample Frame 3 had 9 CANs with payment errors totaling \$34,894, ranging from \$81 to \$10,048 that were assigned to PSCs 7 and 8.
- Sample Frame 4 had 5 CANs with payment errors totaling \$157,780, ranging from \$3,451 to \$60,770.

We did not project the sample results for Sample Frames 1 and 4 because of the variance in the range of payment errors. Therefore, based on the results for Sample Frames 2 and 3, we estimate that 31,380 CANs with underpayments over \$6,000 issued from September 26, 2016 through July 13, 2018 had payment errors totaling approximately \$80.8 million.

**Table B–1: Sample Population**

Description	Sample Frame 2	Sample Frame 3
Sample Frame Size	5,097	3,622
Sample Size	50	50
Estimated Total Population (Sample Frame Size x 20 segments) <sup>3</sup>	101,940	72,440

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<sup>2</sup> While Sample Frame 1 comprised PSCs 1, 2, and 4, PSC 5 processed one payment error case that was also assigned to PSC 1. The individual's retirement benefit was assigned to PSC 1 whereas the individual's widow's benefit was assigned to PSC 5. As a result, PSC 1 did not have any payment errors.

<sup>3</sup> The PHUS is divided into 20 segments based on the last 2 digits of the recipient's Social Security number. One PHUS segment represents 5 percent of the total population of recipients. Because each segment contains similar characteristics, the audit's results represent the entire population.

**Table B–2: Sample Frame 2 Results**

Description	Number of CANs	Payment Error Amount
Sample Results (1 segment)	9	\$14,831
Point Estimate (1 segment)	917	\$1,511,894
Projection – Lower Limit	498	\$285,948
Projection – Upper Limit	1,491	\$2,737,839
Population Estimate (Point Estimate x 20 segments)	18,340	\$30,237,880

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

**Table B–3: Sample Frame 3 Results**

Description	Number of CANs	Payment Error Amount
Sample Results (1 segment)	9	\$34,894
Point Estimate (1 segment)	652	\$2,527,729
Projection – Lower Limit	354	\$737,137
Projection – Upper Limit	1,058	\$4,318,320
Population Estimate (Point Estimate x 20 segments)	13,040	\$50,554,580

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

**Table B–4: Summary of Estimates**

Description	Sample Frame 2	Sample Frame 3	Total
Population Estimate of CANs	18,340	13,040	31,380
Population Estimate of Payment Error Amount	\$30,237,880	\$50,554,580	\$80,792,460

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

Office of the Commissioner

#### **MEMORANDUM**

Date: November 21, 2019 Refer To: S1J-3

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, "Accuracy of Manual Old-Age, Survivors and Disability Insurance Underpayments over \$6,000" (A-03-18-50703) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with your recommendations and remain focused on promoting accuracy among employees, improving workflow efficiencies, and minimizing payment and processing errors.

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

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