



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: July 30, 2021

To: Kilolo Kijakazi
Acting Commissioner

From: Gail S. Ennis, *Gail S. Ennis*
Inspector General

Subject: Follow-up on Old-Age, Survivors and Disability Insurance Benefits Affected by State and Local Pensions (A-13-17-50191)

The attached final report presents the results of the Office of Audit's review. The objectives were to (1) identify Old-Age, Survivors and Disability Insurance beneficiaries whose benefits may have been affected by State or local government pensions and (2) determine whether the Agency implemented recommendations from our 2011 report.

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.

cc: Trae Sommer

Attachment

Follow-up on Old-Age, Survivors and Disability Insurance Benefits Affected by State and Local Pensions (A-13-17-50191)

The *Social Security Act* includes two provisions, Windfall Elimination Provision (WEP) and Government Pension Offset (GPO), that reduce Social Security monthly benefits paid to individuals who also receive a pension based on Federal, State, or local government employment not covered by Social Security. WEP eliminates “windfall” Social Security benefits for retired or disabled workers who are receiving pensions. GPO reduces Social Security monthly benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work from employment not covered by Social Security.

Generally, the Social Security Administration (SSA) relies on beneficiaries to self-report non-covered pensions.¹ To decrease reliance on self-reporting and identify beneficiaries who may have Federal non-covered pensions, SSA compares data in its information systems with pension data from the Office of Personnel Management. However, the Agency does not receive similar pension information from State or local governments.

In a 2011 audit,² we estimated SSA overpaid approximately 24,900 beneficiaries about \$623.8 million. These beneficiaries would receive approximately \$869.9 million in additional overpayments over their lifetimes unless SSA corrected these payment errors. We conducted our current audit to (1) identify Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries whose benefits may have been affected by State or local government pensions and (2) determine whether SSA implemented recommendations from our 2011 report.

To accomplish our objectives, we obtained an electronic data extract of 1,117³ individuals who were receiving benefits as of August 2019. These beneficiaries’ benefits were not adjusted for WEP or GPO, but their wage histories indicated they may have earned a State or local government pension based on employment not covered by Social Security. The information we used in our 2011 audit was no longer readily available; therefore, we narrowed our population to focus only on a specific subset of the overall number of beneficiaries who may have been subject to WEP or GPO.⁴

¹ Some beneficiaries receive non-covered pensions based on employment not subject to Social Security.

² SSA, OIG, *Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions, A-13-10-10143* (November 2011).

³ The 1,117 beneficiaries were from 1 segment of the Master Beneficiary Record. Beneficiaries are potentially subject to either WEP or GPO reductions to their Social Security payments. No beneficiaries are subject to both reductions concurrently.

⁴ For the 2011 audit, we obtained an electronic data extract based on a singular code the Agency used to identify State or local government employers in its earnings records. In August 2019, this code was no longer in use.

We identified OASDI beneficiaries who may have been overpaid because SSA did not reduce their benefits for non-covered pensions from State or local government work. Of the 100 beneficiaries we reviewed, 4 could have been subject to WEP based on the pension administrators' responses, and SSA may have overpaid these 4 a total of approximately \$88,000 in OASDI benefits.⁵ This occurred because two beneficiaries failed to report they received a State or local government pension, and Agency employees did not apply WEP to the other two beneficiaries. If SSA does not correct these payment errors, we estimate these beneficiaries will receive additional overpayments of approximately \$86,000 over their lifetimes. See Attachment 1 for Background information and Attachment 2 for our Methodology and Sample Results.

Agency Actions in Response to Our Prior Audit

We reviewed SSA's actions to implement the three recommendations in our 2011 audit and found that, although SSA made efforts, work still needs to be done. Two of the three recommendations involved systematic changes needed for SSA to effectively identify beneficiaries whose benefit must be adjusted because of WEP or GPO.⁶

Our 2011 report recommended SSA "Pursue legislation and alternative approaches for electronically obtaining State and local government pension data to enable application of the WEP and GPO provisions." Over the last decade, SSA has recognized WEP and GPO as major causes of improper payments. SSA's Budget Overview⁷ and the President's Budget⁸ have included legislative proposals for the Agency to enter into automated data exchanges with States and localities to obtain non-covered pension information for WEP and GPO purposes. The proposed data exchanges would enable SSA to better detect unreported pensions and changes in pension amounts. Despite SSA's efforts, Congress has not acted on these legislative proposals.

Our 2011 report also recommended SSA "Evaluate characteristics of the beneficiaries we identified as overpaid to determine whether it is cost effective for the Agency to identify similar overpayments to beneficiaries with unreported pensions subject to WEP or GPO." SSA conducted two studies that evaluated similar characteristics: the Office of Quality Performance's *Aspects of the Windfall Elimination Provision* report and the Office of Quality Review's *Fiscal Year 2016 Government Pension Offset Report*. However, we could not determine whether these actions met the intent of our recommendation.

⁵ From the population of 1,117 beneficiaries, we selected a random sample of 100 for review. We mailed initial and follow-up letters to pension administrators and mailed one letter to the beneficiaries. We could not determine whether 27 of 100 beneficiaries in our sample were subject to WEP or GPO because 17 pension administrators did not respond, and 10 former employers stated they could not find the information.

⁶ Our first recommendation called for SSA to determine whether the beneficiaries we identified during our review were subject to WEP or GPO. SSA appropriately implemented the recommendation.

⁷ SSA, Office of Budget, Finance, and Management, *Budget Overview* (Fiscal Years 2012 through 2017, and 2019 through 2021).

⁸ Office of Management and Budget, *Budget of the U.S. Government* (Fiscal Years 2012 through 2017, and 2019 through 2021).

We plan to fully assess SSA's actions to address WEP and GPO issues in an upcoming audit. Therefore, our only recommendation is that SSA:

1. Perform the followup needed to make WEP applicability determinations for the four beneficiaries we identified during this review and collect overpayments, if appropriate.

SSA agreed with the recommendation; see Agency Comments in Appendix 3.

BACKGROUND

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance (OASDI) program to provide monthly benefits to retired or disabled workers and their families as well as survivors of deceased workers.⁹ An individual may be eligible for OASDI benefits under his/her own work history and under a spouse's work history.

The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who also receive a pension based on Federal, State, or local government employment not covered by Social Security. Windfall Elimination Provision (WEP) eliminates "windfall" Social Security benefits for retired or disabled workers who receive pensions from employment not covered by Social Security.^{10,11} Under WEP, the Agency uses a modified benefit formula, which lowers the primary insurance amount, to determine a wage earner's monthly Social Security benefit.¹² Government Pension Offset (GPO) reduces monthly Social Security benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work from Federal, State, or local government employment not covered by Social Security.¹³ The GPO reduction is generally equal to two-thirds of the government pension.¹⁴

SSA asks an applicant for OASDI benefits whether he/she is entitled to a current or future pension based on non-covered earnings. If the applicant responds he/she is entitled to a pension, SSA employees must obtain the pension information and determine whether WEP and/or GPO applies. If the applicant is entitled to a future pension, SSA employees should establish a diary to follow up with the applicant within 1 year.¹⁵ However, if the applicant responds he/she is not entitled to a pension, the Modernized Claims System alerts field office employees when the system determines the applicant has at least 5 years of non-covered earnings.

To decrease the reliance on self-reporting and identify beneficiaries who may have Federal non-covered pensions, SSA compares information in its systems with the Office of Personnel Management's Annuity and Survivor Master File, which contains payment information for civil service annuitants. The WEP and GPO computerized data comparison can result in the (1) detection and recovery of overpayments and (2) avoidance of future overpayments because of changes in the monthly OASDI benefit amount. However, the Agency does not receive similar

⁹ *Social Security Act*, 42 U.S.C. §§ 401, 402, 423 (govinfo.gov 2019).

¹⁰ *Social Security Act*, 42 U.S.C. § 415(a)(7) and (d)(3) (govinfo.gov 2019).

¹¹ *Social Security Act*, 42 U.S.C. § 402(k)(5) (govinfo.gov 2019).

¹² SSA, *POMS*, RS, 00605.360 A (June 24, 2013).

¹³ SSA, *POMS*, GN, 02608.100 A and B (March 31, 2021).

¹⁴ SSA, *POMS*, GN, 02608.100 D.1 (March 31, 2021).

¹⁵ The follow up should occur the month before the month and year before pension entitlement.

pension information from State or local governments. As a result, some State and local government pensions go unreported, which leads to improper payments.

METHODOLOGY AND SAMPLE RESULTS

Methodology

To accomplish our objectives, we:

- Obtained and reviewed applicable Federal laws and regulations and the Social Security Administration's (SSA) policies and procedures.
- Reviewed prior Office of the Inspector General reports pertaining to the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).
- Followed up on recommendations from the 2011 audit of *Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions* (A-13-10-10143).
- Obtained and analyzed an electronic data extract of the SSA's Master Beneficiary Record, Master Earnings File, and Employer Identification File as of August 2019. We applied screening criteria and identified 1,117 Old-Age, Survivors and Disability Insurance beneficiaries potentially eligible for WEP or GPO.
- Excluded beneficiaries eligible for Old-Age, Survivors and Disability Insurance benefits on their own and another person's earnings (dually entitled). We also excluded beneficiaries who may have been receiving Federal pensions since SSA has a computer-matching agreement with the Office of Personnel Management that provides SSA pension information.
- Contacted State and local government agencies to confirm mailing addresses and obtain pension data.
- Mailed initial and follow-up pension confirmation letters to obtain non-covered employment information from State and local government employers and pension administrators. The letters requested former employers/pension administrators provide information about beneficiaries who receive pensions from wages not covered by Social Security.
- Mailed pension letters to obtain non-covered employment information from beneficiaries. The letters requested beneficiaries provide information about receiving pensions from wages not covered by Social Security.
- Issued six subpoenas to obtain pension information.
- Reviewed the pension administrators' and beneficiaries' responses to determine whether WEP, GPO, or an exemption applied.
- Reviewed SSA's systems to determine whether the beneficiary reported he/she was receiving a State or local government pension.
- Requested SSA review those instances where it appeared WEP applied.
- Estimated overpayment amounts using SSA's WEP Online Calculator.

- Estimated future overpayments using the life tables in the Department of Health and Human Services, Centers for Disease Control and Prevention, and National Vital Statistics Reports.¹

We assessed the significance of internal controls necessary to satisfy our audit objectives. 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 objectives. We identified the following three components and four principles as significant to the audit objectives.

- Component 3: Control Activities
 - Principle 10: Design Control Activities
 - Principle 12: Implement Control Activities
- Component 4: Information and Communication
 - Principle 13: Use Quality Information
- Component 5: Monitoring
 - Principle 17: Remediate Deficiencies

The principal entity audited was the Office of the Deputy Commissioner for Operations. We tested the data obtained for our audit and determined them sufficiently reliable to meet our objectives.

We conducted our review from December 2019 through May 2021 at SSA Headquarters in Baltimore, Maryland. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹Department of Health and Human Services, Centers for Disease Control and Prevention, *United States Life Tables, 2017*, vol. 68, no. 7 (June 2019).

Sample Results

- Population: 1,117
- Sample Size: 100

Table 1: Sample Results

Description	Number of Beneficiaries
Not Subject to WEP or GPO	69
Could Not Determine ²	27
Potentially Subject to WEP	4
Total	100

Our review determined SSA overpaid approximately \$88,000 in OASDI benefits to four beneficiaries. Further, we estimate an additional \$86,000 in overpayments could accrue over the beneficiaries' lifetimes if SSA does not take corrective action.

²This includes 17 pension administrators who did not respond to our request for pension information and 10 beneficiaries' former employers who could not find the beneficiaries' data in their information systems.

AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: July 19, 2021 **Refer To:** TQA-1

To: Gail S. Ennis
Inspector General



From: Scott Frey
Chief of Staff

Subject: Office of the Inspector General Draft Memorandum “Follow-up on Old-Age, Survivors and Disability Insurance Benefits Affected by State and Local Pensions” (A-13-17-50191) -- INFORMATION

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

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