

*Audit Report*

Improper Payments Resulting from  
Unresolved Delayed Claimants

A-09-12-22100 / February 2014

# OIG

Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** February 7, 2014 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Improper Payments Resulting from Unresolved Delayed Claimants (A-09-12-22100)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration had adequate controls to ensure it resolved delayed claimants and paid benefits due all affected beneficiaries.

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

# Improper Payments Resulting from Unresolved Delayed Claimants

## A-09-12-22100



February 2014

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it resolved delayed claimants and paid benefits due all affected beneficiaries.

### Background

Auxiliary and survivor claimants who have filed a claim but have not provided all the required evidence of eligibility are placed in a delayed payment status.

SSA considers delayed claimants entitled when it computes benefit payments for currently entitled beneficiaries on the same record. This protects delayed claimants from losing benefits and prevents overpayments to currently entitled beneficiaries if SSA subsequently determines the delayed claimants are entitled. If, however, the delayed claimant is denied, the benefit payments to the entitled beneficiaries are increased.

In a 2009 audit, we found that SSA did not always take appropriate action to resolve delayed auxiliary or survivor claimants. We estimated that if SSA approved the delayed claimants, the auxiliary or survivor claimants on 5,680 records would be due about \$29.6 million and, if not approved, SSA improperly paid the currently entitled auxiliary beneficiaries on 6,680 records about \$22 million.

### Our Findings

Since we issued our 2009 audit, SSA had reduced the number of unresolved delayed claimants. However, our current review found that SSA's controls did not always ensure it properly resolved all delayed claimants. Based on our random sample, we estimate that if SSA

- approves the auxiliary or survivor delayed claimants on 1,620 records, they would be due about \$9.1 million and
- does not approve the delayed claimants, the currently entitled auxiliary beneficiaries on 1,710 records will be improperly paid about \$6.8 million.

We also estimate that SSA did not timely resolve the delayed claims for 2,730 records. This occurred because SSA employees did not (1) establish diaries for claimants placed in delayed status, (2) take appropriate action on the diaries when they matured, or (3) resolve alerts for delayed claimants.

### Our Recommendations

We recommend that SSA:

1. Take appropriate action to resolve the 61 records with delayed claimants identified by our audit.
2. Evaluate the results of its corrective action for the 61 records and determine whether it should review the remaining population of 5,801 records with delayed claimants who have been pending more than 90 days.
3. Remind employees of the proper policies and procedures to establish and take action on diaries and alerts received for claimants in delayed status.

SSA agreed with our recommendations.

## TABLE OF CONTENTS

Objective .....	1
Background .....	1
Results of Review .....	2
Benefits Withheld from Delayed Claimants .....	3
Benefits to Currently Entitled Beneficiaries Were Reduced .....	4
Delayed Claimants Not Timely Resolved.....	4
SSA Actions in Response to Our Prior Audit.....	5
Conclusions.....	7
Recommendations.....	7
Agency Comments.....	7
Appendix A – Scope and Methodology .....	A-1
Appendix B – Sampling Methodology and Results .....	B-1
Appendix C – Agency Comments.....	C-1
Appendix D – Major Contributors.....	D-1

## **ABBREVIATIONS**

MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RETAP	Regular Transcript Attainment and Selection Pass
SSA	Social Security Administration
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it resolved delayed claimants and paid benefits due all affected beneficiaries.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under title II of the *Social Security Act*.<sup>1</sup> This program provides monthly benefits to retired and/or disabled workers and their families and to survivors of deceased workers. Auxiliary benefits are paid to the spouses and children of retired and/or disabled workers while survivor benefits are paid to the widows and children of deceased workers.<sup>2</sup>

SSA requires that auxiliary and survivor claimants submit evidence to establish their entitlement to benefits. Individuals who have filed a claim but who have not provided all the required evidence of eligibility are placed in a delayed payment status. When a claimant is placed in delayed payment status, SSA must control the claim by establishing a diary in the Modernized Claims System. These diaries remind employees there is an outstanding issue, and they should follow up to resolve a delayed claimant. In addition, SSA's Regular Transcript Attainment and Selection Pass (RETAP) generates alerts 6 months after a claimant is placed in delayed status to notify employees there is still an outstanding issue for a delayed claimant.<sup>3</sup>

SSA considers delayed claimants to be entitled when computing benefit payments for currently entitled beneficiaries on the same record. This protects delayed claimants from losing benefits and prevents overpayments to currently entitled beneficiaries if SSA subsequently determines the delayed claimants are entitled. If, however, the delayed claimant is denied, the benefit payments to the entitled beneficiaries are increased.<sup>4</sup>

In a 2009 audit,<sup>5</sup> we found that SSA did not always take appropriate action to resolve delayed auxiliary or survivor claimants and properly pay all affected beneficiaries. We estimated that if SSA (1) approved the delayed auxiliary or survivor claimants on 5,680 records, they were due about \$29.6 million or (2) did not approve the delayed claimants, currently entitled auxiliary and survivor beneficiaries on 6,680 records were due about \$22 million.

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<sup>1</sup> The *Social Security Act*, § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

<sup>2</sup> The *Social Security Act*, § 205 *et seq.*, 42 U.S.C. § 405 *et seq.*

<sup>3</sup> SSA, POMS, GN 01010.140 (May 7, 2013).

<sup>4</sup> Id.

<sup>5</sup> SSA, OIG, *Improper Payments Resulting From Unresolved Delayed Claimants* (A-09-08-18006), September 25, 2009.

For our current audit, we identified 6,001 records that had at least 1 delayed auxiliary or survivor claimant and 1 currently entitled auxiliary beneficiary on the same record. From this population, we selected a random sample of 200 records for review (see Appendix A).

## RESULTS OF REVIEW

Since our prior audit, SSA had reduced the number of unresolved delayed claimants. However, SSA's controls did not always ensure it properly resolved all delayed claimants. Based on our random sample, we estimate that if SSA

- approves the auxiliary or survivor delayed claimants on 1,620 records, they would be due about \$9.1 million and
- does not approve the delayed claimants, the currently entitled auxiliary beneficiaries on 1,710 records will be improperly paid about \$6.8 million.

We also estimate that SSA did not timely resolve the delayed claims for 2,730 records.<sup>6</sup>

This occurred because SSA employees did not (1) establish diaries for claimants placed in delayed status, (2) take appropriate action on the diaries when they matured, or (3) resolve alerts for delayed claimants.

We are 90-percent confident the number of records with underpaid delayed claimants ranged from 1,318 to 1,953, and the amount of benefits due ranged from \$6.4 to \$11.9 million. In addition, we are 90-percent confident the number of records with improperly paid currently entitled auxiliary beneficiaries ranged from 1,402 to 2,047, and the amount of improper payments ranged from \$5 to \$8.5 million. Finally, we are 90-percent confident the number of records that were not timely resolved ranged from 2,379 to 3,088 (see Appendix B).

Our review of the 200 records in our sample found that SSA had not properly resolved 61 (30.5 percent) records.<sup>7</sup> For 91 (45.5 percent) records, SSA did not resolve the delayed claimants in a timely manner. Although SSA subsequently took corrective action, the delayed claimants were not resolved for an average of 435 days.<sup>8</sup> For the remaining 48 (24 percent) records, SSA properly resolved the delayed claimants in a timely manner. The following chart summarizes the results of our review.

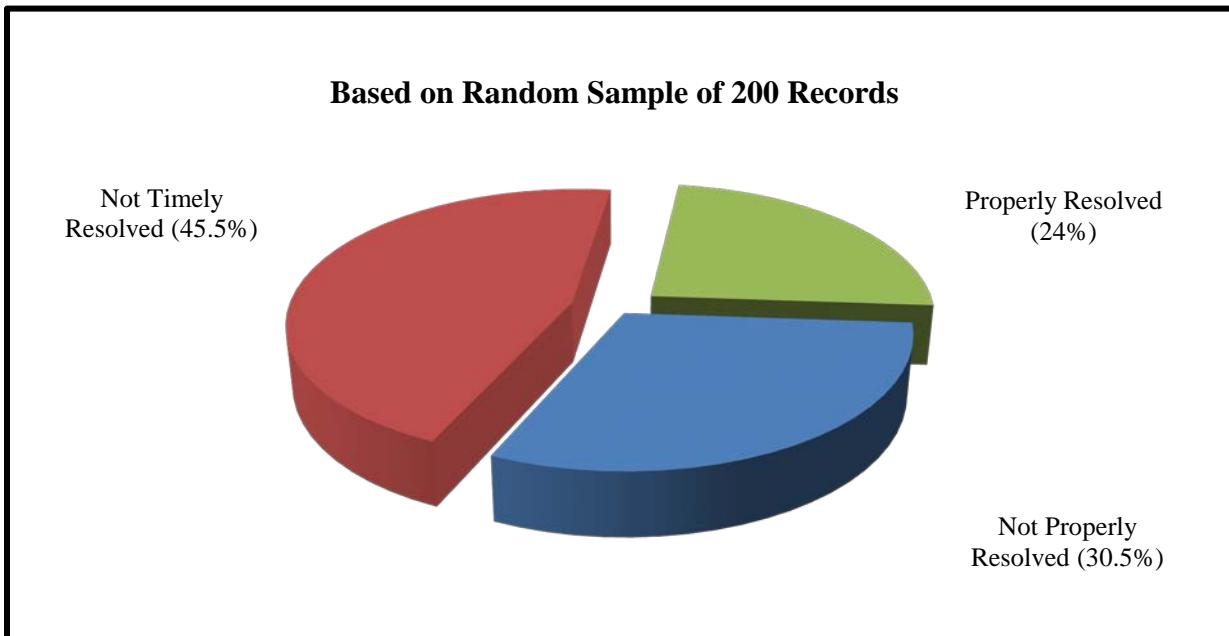
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<sup>6</sup> For our review, we used a standard of 90 days to determine whether SSA had resolved delayed claims timely.

<sup>7</sup> Of the 61 records that were not properly resolved, 54 affected the delayed claimants and 57 affected the currently entitled auxiliary beneficiaries.

<sup>8</sup> The mean was 435 days. The median was 384 days.

**Figure 1: Improper Payments Resulting from Unresolved Delayed Claimants**



## Benefits Withheld from Delayed Claimants

According to SSA policy, every reasonable effort should be made to assist a claimant in obtaining the necessary evidence to establish eligibility and entitlement for benefits. Evidence that may be required includes proof of age, marriage, and dependent children's relationships. When the required documentation is not readily available, SSA places the claimant in delayed payment status. SSA employees should establish a field office control and a separate processing center diary when processing a delayed claim.<sup>9</sup> In addition, RETAP alerts employees that a claimant has been in delayed status for longer than 6 months. RETAP issues alerts each quarter thereafter until the delayed claimant is resolved.

Our review of a random sample of 200 records disclosed that SSA had not properly resolved 61 records (30.5 percent), of which 54 had delayed claimants who would be underpaid if SSA determines they are entitled to benefits. This included 52 records from our current audit and 2 from our prior audit for which SSA had not taken corrective action. RETAP generates alerts for delayed claimants. However, we found no evidence that SSA employees had taken timely action on these alerts or established diaries for the claimants. As a result, SSA had not resolved \$304,345 in benefits that it withheld from these claimants.

<sup>9</sup> SSA, POMS, GN 01010.410 (June 6, 2013), GN 01010.260.A.2 (November 10, 2011), and GN 01010.140.A.1 (May 7, 2013).

For example, in February 2012, SSA placed a claimant in delayed status and withheld benefits pending receipt of additional evidence to support the claim. As of July 2013, the claimant had been in delayed status for 502 days. Although RETAP generated an alert, SSA had not resolved the claimant's delayed status. In addition, we found no evidence that SSA had established a diary for the delayed claimant. If SSA determines the delayed claimant is entitled to benefits, the beneficiary would be due \$12,598.

## Benefits to Currently Entitled Beneficiaries Were Reduced

When SSA places a claimant in delayed status, it reduces the monthly benefit amount payable to currently entitled beneficiaries on the same record. This ensures that SSA will not overpay currently entitled beneficiaries if it subsequently determines the delayed claimant is eligible for benefits. However, if the delayed claimant does not provide the necessary evidence to establish eligibility and SSA denies the claim, it should increase the monthly benefit amount payable to the currently entitled beneficiaries.<sup>10</sup>

Since delayed claimants reduce the monthly benefits of currently entitled beneficiaries, we determined whether the currently entitled beneficiaries were properly paid. Our review of the 200 records in our sample disclosed that 57 (28.5 percent) had currently entitled beneficiaries who may have been improperly paid. This included 55 records from our current audit and 2 from our prior audit. If SSA were to deny the delayed claimants, these currently entitled beneficiaries were improperly paid \$225,611. RETAP generated alerts for the delayed claimants. However, SSA employees had not taken timely action on the alerts. In addition, SSA employees had not established diaries or resolved the diaries when they matured.

For example, in March 2011, SSA placed a claimant in delayed status and reduced a currently entitled beneficiary's monthly benefit amount. As of July 2013, the claimant had been in delayed status for 826 days. RETAP generated an alert to remind SSA employees to resolve the claimant's delayed status. However, we found no evidence that SSA had resolved the RETAP alerts or established diaries for the delayed claimant. If SSA determines the delayed claimant is not entitled to benefits, the currently entitled beneficiary will be underpaid \$7,344.

## Delayed Claimants Not Timely Resolved

SSA must disallow or deny delayed claimants if they do not provide the evidence needed to prove entitlement within 30 days. If SSA does not receive the evidence after 15 days, it sends a follow-up letter to notify the claimant that SSA will deny their application for benefits after the 30-day period has elapsed.<sup>11</sup>

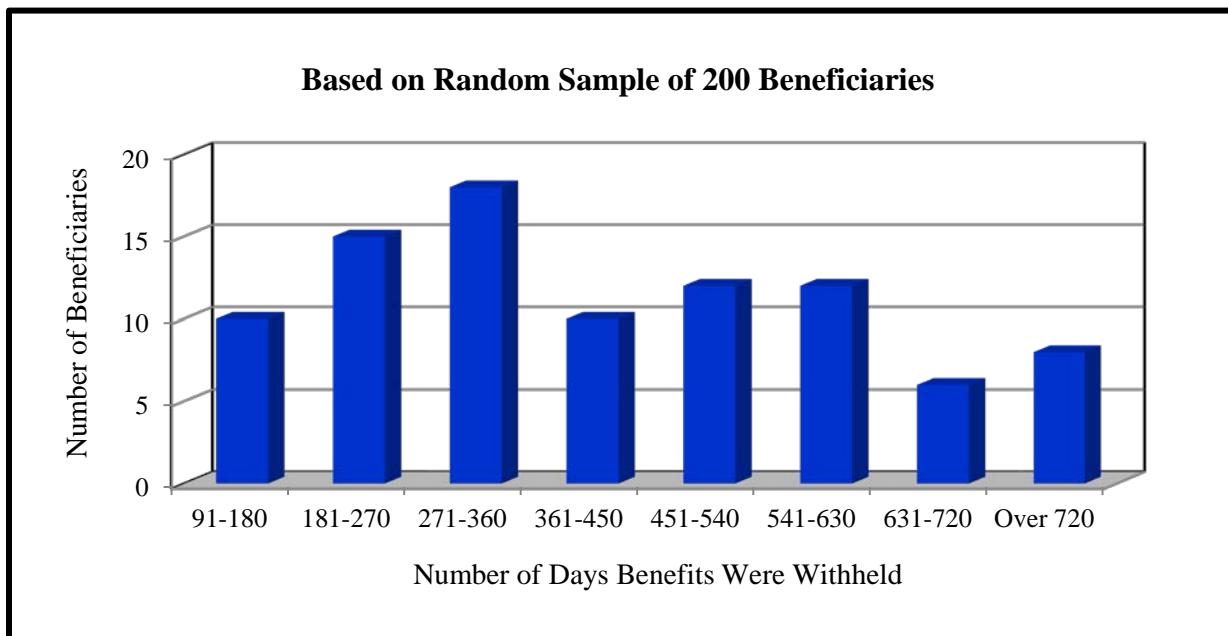
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<sup>10</sup> SSA, POMS, GN 01010.140 (May 7, 2013).

<sup>11</sup> SSA, POMS, GN 01010.410 (June 6, 2013).

For 91 (45.5 percent) of the 200 records in our sample, SSA had not timely resolved the delayed claimants.<sup>12</sup> We found that SSA did not resolve the delayed claimants for an average of 435 days.<sup>13</sup> In one instance, SSA withheld benefits for as long as 1,817 days (about 5 years). The following chart summarizes the number of days that delayed claimants were not timely resolved.

**Figure 2: Delayed Claimants Not Timely Resolved**



## SSA Actions in Response to Our Prior Audit

Our 2009 audit<sup>14</sup> found that SSA did not always take appropriate action to resolve delayed auxiliary or survivor claimants and properly pay all affected beneficiaries. We estimated that if SSA (1) approved the delayed auxiliary or survivor claimants on 5,680 records, they were due about \$29.6 million or (2) did not approve the delayed claimants, the currently entitled auxiliary beneficiaries on 6,680 records were due about \$22 million. Our prior report included the following recommendations for corrective action.

<sup>12</sup> For our review, we used a standard of 90 days to determine whether SSA had resolved delayed claims timely.

<sup>13</sup> The mean was 435 days. The median was 384 days.

<sup>14</sup> SSA, OIG, *Improper Payments Resulting From Unresolved Delayed Claimants* (A-09-08-18006), September 25, 2009.

1. Take corrective action to resolve the 28 records with delayed claimants identified by our audit.

*SSA Action* – SSA stated it took action to implement this recommendation.

*OIG Comment* – SSA had taken corrective action on all 28 records with delayed claimants.

2. Identify and take corrective action on the population of delayed claimants who had been pending more than 90 days.

*SSA Actions* – SSA stated it identified 28,749 records with delayed claimants pending longer than 90 days. In January 2010, SSA notified its regional offices and processing centers to resolve these cases and improve controls over delayed claimants.

*OIG Comments* – SSA generally took corrective action on the population of delayed claimants in our prior audit. For our current audit, we found that SSA had not properly resolved 61 of the 200 records in our sample. Of the 61 records, only 2 were from our prior audit.

3. Improve controls to ensure delayed claimants are resolved within appropriate timeframes.

*SSA Actions* – SSA revised RETAP to generate alerts that identify delayed claimants pending for more than 6 months. In addition, RETAP generates three additional alerts per year until the claim is processed.

*OIG Comments* – SSA's actions reduced the number of unresolved delayed claimants. The population of records with delayed auxiliary and survivor claimants decreased from 12,360 in our prior audit to 6,001 in our current audit. However, based on our sample of 200 records, SSA had not resolved the delayed claimants for an average of 371 days.<sup>15</sup>

4. Remind employees to diary, follow up on, and timely resolve delayed claimants.

*SSA Actions* – SSA stated it developed delayed claims processing instructions and updated several policy references. In March 2010, SSA issued a reminder for field offices and processing centers to resolve delayed claimants timely.<sup>16</sup>

*OIG Comments* – SSA took action to implement this recommendation. However, based on the results of our current review, additional actions may be needed to ensure SSA employees resolve delayed claimants timely.

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<sup>15</sup> The mean was 371 days. The median was 335 days.

<sup>16</sup> SSA, Administrative Message 10026, March 1, 2010.

## **CONCLUSIONS**

Since our prior audit, SSA had reduced the number of unresolved delayed claimants. However, SSA's controls did not always ensure it properly resolved all delayed claimants. Based on a random sample, we estimate that if SSA approves the delayed claimants, the auxiliary or survivor claimants on 1,620 records would be due about \$9.1 million and, if not approved, SSA improperly paid the currently entitled auxiliary beneficiaries on 1,710 records about \$6.8 million. We also estimate that SSA did not timely resolve the delayed claimants for 2,730 records (see Appendix B).

## **RECOMMENDATIONS**

We recommend that SSA:

1. Take appropriate action to resolve the 61 records with delayed claimants identified by our audit.
2. Evaluate the results of its corrective action for the 61 records and determine whether it should review the remaining population of 5,801 records with delayed claimants who have been pending more than 90 days.
3. Remind employees of the proper policies and procedures to establish and take action on diaries and alerts received for claimants in delayed status.

## **AGENCY COMMENTS**

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

# *APPENDICES*

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

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We obtained from the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) a data extract of 6,001 records with at least 1 claimant in delayed status and 1 currently entitled auxiliary beneficiary on the same record as of May 2012.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, United States Code, and SSA’s Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations and Systems;
- reviewed a random sample of 200 records;
- reviewed queries from SSA’s MBR, Claims File Records Management System, Online Retrieval System, Paperless, and Processing Center Action Control System, and
- used SSA’s Interactive Computation Facility to determine the amount of benefits payable to the claimants and entitled auxiliary beneficiaries.

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 objective.

We evaluated the adequacy of SSA’s controls and procedures to ensure it resolved delayed claimants and paid benefits due all affected beneficiaries. In our prior audit,<sup>1</sup> we reported the payments that may have been due delayed claimants and entitled auxiliary beneficiaries from the date that SSA withheld the benefits to November 2008. For our current audit, the amounts reported represent the payments that may be due from December 2008 to January 2013.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between March and August 2013. 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.

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<sup>1</sup> SSA, OIG, *Improper Payments Resulting from Unresolved Delayed Claimants* (A-09-08-18006), September 25, 2009.

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

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From the Social Security Administration’s (SSA) Master Beneficiary Record (MBR), we obtained a data extract of 6,001 records with 1 or more auxiliary or survivor claimants in delayed status and 1 or more currently entitled auxiliary beneficiaries as of May 2012. From this population, we selected a random sample of 200 records for review.

We found that SSA had not properly resolved 61 of the 200 records.<sup>1</sup> Projecting our sample results to the population of 6,001 records, we estimate that SSA had not properly resolved the delayed claims for 1,830 records.

- If SSA approves the auxiliary or survivor delayed claimants on 54 records, they would be due \$304,345. Projecting our sample results to the population of 6,001 records, we estimate that SSA withheld about \$9.1 million in benefits from 1,620 claimants.
- If SSA does not approve the delayed claimants, the currently entitled auxiliary beneficiaries on 57 records were improperly paid \$225,611. Projecting our sample results to the population of 6,001 records, we estimate that SSA withheld about \$6.8 million in benefits from 1,710 claimants.

We also found that SSA had not timely resolved the delayed claimants for 91 of the 200 records.<sup>2</sup> Projecting our sample results to the population of 6,001 records, we estimate that SSA did not timely resolve the delayed claims for 2,730 records.

The following tables provide the details of our sample results and statistical projections.

**Table B–1: Population and Sample Size**

Description	Records
Population Size	6,001
Sample Size	200

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<sup>1</sup> Of the 61 records that were not properly resolved, 54 affected the delayed claimants and 57 affected the currently entitled auxiliary beneficiaries.

<sup>2</sup> For our review, we used a standard of 90 days to determine whether SSA had resolved delayed claims timely.

**Table B-2: Delayed Claimants Not Properly Resolved**

Description	Records
Sample Results	61
Point Estimate	1,830
Projection – Lower Limit	1,514
Projection – Upper Limit	2,172

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

**Table B-3: Delayed Claimants**

Description	Records	Benefits Due
Sample Results	54	\$304,345
Point Estimate	1,620	\$9,131,872
Projection - Lower Limit	1,318	\$6,377,286
Projection - Upper Limit	1,953	\$11,886,457

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

**Table B-4: Currently Entitled Auxiliary Beneficiaries**

Description	Records	Improper Payments
Sample Results	57	\$225,611
Point Estimate	1,710	\$6,769,458
Projection - Lower Limit	1,402	\$4,991,222
Projection - Upper Limit	2,047	\$8,547,694

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

**Table B-5: Delayed Claimants Not Timely Resolved**

Description	Records
Sample Results	91
Point Estimate	2,730
Projection – Lower Limit	2,379
Projection – Upper Limit	3,088

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

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

**Date:** January 3, 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, “Improper Payments Resulting from Unresolved Delayed Claimants” (A-09-12-22100)--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,  
“IMPROPER PAYMENTS RESULTING FROM UNRESOLVED DELAYED  
CLAIMANTS” (A-09-12-22100)**

**Recommendation 1**

Take appropriate action to resolve the 61 records with delayed claimants identified by our audit.

**Response**

We agree. We plan to review and take necessary action on the 61 cases within six months of the Office of the Inspector General (OIG) issuing the final report.

**Recommendation 2**

Evaluate the results of its corrective action for the 61 records and determine whether it should review the remaining population of 5,801 records with delayed claimants who have been pending more than 90 days.

**Response**

We agree. We will determine whether reviewing the remaining records is appropriate after resolving the 61 cases previously reported.

**Recommendation 3**

Remind employees of the proper policies and procedures to establish and take action on diaries and alerts received for claimants in delayed status.

**Response**

We agree. We will publish a reminder within six months of OIG issuing the final report.

## **Appendix D – MAJOR CONTRIBUTORS**

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James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Daniel Hoy, Senior Auditor

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