

Audit Report

Supplemental Security Income
Recipients Who Have Earnings

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: December 23, 2015 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Recipients Who Have Earnings (A-01-16-50003)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration considered Supplemental Security Income recipients' earnings when it determined eligibility and payment amounts.

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



Patrick P. O'Carroll, Jr.

Attachment

Supplemental Security Income Recipients Who Have Earnings

A-01-16-50003



December 2015

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) considered Supplemental Security Income (SSI) recipients' earnings when it determined eligibility and payment amounts.

Background

SSI recipients are responsible for reporting any information that may affect their eligibility or payment amount.

Generally, the more income an SSI recipient has, the lower his/her payment will be. Furthermore, an individual who has too much income in a particular month is not eligible for SSI in that month.

SSA's systems alert Agency staff when financial information reported by recipients does not match information from other sources, such as other Federal and State agencies.

We identified 15,643 non-blind SSI recipients who were receiving payments as of July 2014. We identified these recipients from 1 of 20 Social Security number segments with at least 1 year of earnings on SSA's Master Earnings File between 2010 and 2013 that exceeded \$780 and did not have a current non-medical eligibility review pending. We selected a random sample of 275 of these cases for detailed analysis.

Findings

SSA did not always consider SSI recipients' earnings when it determined SSI eligibility and payment amounts. As a result, we identified some improper payments that were previously undetected.

The reasons over- and underpayments went undetected were SSA staff (a) did not take the necessary action to send information from the Modernized Supplemental Security Income Claims System to the Supplemental Security Record, (b) did not work alerts, and (c) cleared alerts without posting earnings. In reports issued in 2005 and 2012, we recommended SSA improve these areas, but, as of 2015, issues still existed.

Based on our sample results, we estimate that SSA improperly paid approximately \$64 million in SSI payments to about 38,600 SSI recipients because the Agency did not consider all their earnings when it calculated SSI payment amounts.

Recommendations

We recommend SSA:

- Remind employees to develop earnings alerts before clearing them and to send wage entries posted in the Modernized Supplemental Security Income Claims System to the Supplemental Security Record.
- Review the 34 improperly paid sample cases and take appropriate action.

SSA agreed with the recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
IRS	Internal Revenue Service
MEF	Master Earnings File
MSSICS	Modernized Supplemental Security Income Claims System
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) considered Supplemental Security Income (SSI) recipients' earnings when it determined eligibility and payment amounts.

BACKGROUND

SSI is a needs-based program for aged, blind, or disabled individuals, and recipients must meet certain income and resource limits for eligibility.¹ SSA counts income on a monthly basis, and, generally, the more income a recipient has, the lower his/her payment will be.² An individual who has too much income in a particular month is not eligible for SSI in that month.³ Income includes wages and net earnings from self-employment.⁴ SSI recipients or their representative payees are responsible for timely reporting any changes that may affect their eligibility or payment amount.⁵

SSA has access to recipients' earnings through the Master Earnings File (MEF). The MEF contains the earnings of the working population provided by reports from employers and the Internal Revenue Service (IRS). These data include regular wages and salaries, tips, self-employment income, and deferred compensation.

SSA's Modernized Supplemental Security Income Claims System (MSSICS) is the primary data collection and processing system for the SSI program. SSA uses the system to process and document SSI events. The information collected in MSSICS is used to build the Supplemental Security Record (SSR), which SSA uses to make SSI payments. For example, when a field office employee verifies an SSI recipient's earnings, the earnings are recorded in MSSICS. For SSA to use the earnings in the SSI payment calculations, the SSA employee must transmit the information from MSSICS to the SSR.

SSA's systems alert Agency staff when financial information reported by recipients does not match information from other sources, such as other Federal and State agencies.⁶ SSA systems generate K6 and K7 alerts when wage information provided by the IRS exceeds the earnings the

¹ *Social Security Act* § 1611, 42 U.S.C. § 1382. See also, SSA, POMS, SI 00501.001 B.1 (January 18, 2005).

² SSA, POMS, SI 00810.001(September 26, 2011).

³ *Id.*

⁴ SSA, POMS, SI 00810.015 A.2 (September 26, 2011).

⁵ SSA, POMS, SI 02301.005 (October 25, 2013).

⁶ In December 2012, we issued a report titled *The Social Security Administration's Development of Earnings Alerts for Supplemental Security Income Recipients* (A-02-11-11185). In this report, we recommended, and SSA agreed to, remind staff to develop alerts by taking all appropriate actions to post earnings to the SSR accurately and transmit earnings data to the SSR when recorded in MSSICS.

SSI recipient reported for the tax year.⁷ SSA systems generate K6 and K7 alerts twice a year. When State-reported wages exceed the wages reported by SSI recipients, SSA generates S2 alerts.⁸ SSA systems generate these alerts quarterly.

To meet our objective, we identified, from 1 of 20 Social Security number segments, 15,643 non-blind SSI recipients who were receiving payments as of July 2014. These recipients had at least 1 year of earnings on the MEF between 2010 and 2013 that exceeded \$780 and did not have a current non-medical eligibility review pending. We selected a random sample of 275 of these cases for detailed analysis to determine whether SSA properly considered the wages. See Appendix A for our scope, methodology, and sample results.

RESULTS OF REVIEW

SSA did not always consider SSI recipients' earnings when it determined SSI eligibility and payment amounts. As a result, we identified some improper payments that were previously undetected. In the majority of the cases, SSA staff (a) did not take the necessary action to send information from MSSICS to the SSR, (b) did not work alerts, and (c) cleared alerts without posting earnings.⁹ In reports issued in 2005 and 2012, we recommended SSA improve these areas, but, as of 2015, issues still existed (see Appendix B).¹⁰

Based on our sample results, we estimate that SSA improperly paid approximately \$64 million in SSI payments to about 38,600 SSI recipients because the Agency did not consider all their earnings when it calculated SSI payment amounts.¹¹

⁷ SSA systems generate a K6 alert if the recipient or deemor's earnings on the MEF exceed the amount on the SSR by \$1,000 or more or a K7 alert if a deemor's earnings exceed the amount posted on the SSR by \$2,000 or more and either the MEF contains an amended earnings reporter or the SSR does not reflect any earnings for the deemor. A deemor is an individual whose income and resources are subject to deeming, such as parents or spouses.

⁸ SSA matches the SSR against the Department of Health and Human Services, Office of Child Support Enforcement's National Directory of New Hires wage database looking for significant wage discrepancies for SSI recipients and deemors in all States and the District of Columbia. An alert is generated when the wage amount for a quarter exceeds the SSR wage amount for that quarter by more than the "tolerance." The tolerance for a recipient's wage is \$250 for a quarter. The tolerance for a deemor's wage is \$500 for a quarter. The S2 alert will not be generated for self-employment income because it is reported annually, not quarterly.

⁹ In 26 of the 34 sample cases (76 percent), we were able to determine why SSA did not evaluate the earnings. In the remaining eight cases, we were unable to determine a specific reason why SSA did not review the earnings information and assess an over- or underpayment.

¹⁰ In FY 2013, SSA conducted a study and found that it would not be productive or cost-effective to use focused criteria to generate earnings alerts.

¹¹ The \$64 million includes both over- and underpayments.

Sample Results

Of the 275 recipients in our sample,

- 34 recipients' earnings were not considered when SSA calculated SSI payment amount and may result in an improper payment;¹²
- 122 recipients' earnings were properly considered; and
- 119 recipients' earnings were not completely considered when SSA calculated SSI payment amounts, but the variance was immaterial¹³ or did not result in an improper payment.

Earnings Were Not Considered, Improper Payments Occurred

Of the 275 recipients, SSA did not consider 34 of the recipients' earnings when it calculated their SSI payments. Of these 34 recipients, 30 were potentially overpaid, 2 were potentially underpaid, and 2 were over- and underpaid.¹⁴ See Table 1 for detailed information.

Table 1: Improper Payment Information

	Total	Average	Median	Total Number of Months	Average Number of Months
Overpayments	\$55,086	\$1,721	\$739	344	11
Underpayments	\$1,552	\$388	\$318	6	2

For example, a man had \$23,088 in self-employment income posted to the MEF in 2010 but no income posted to the SSR. Had these self-employment earnings been posted to the SSR, SSA would have assessed a \$6,861 overpayment.

In another case, a woman had \$1,411 in earnings posted to the MEF in 2010. However, \$1,411 was posted to the SSR in November and December 2010. Having these excess earnings on the SSR for 1 month (instead of over 2 months) caused this individual to be underpaid \$663.

¹² Ten of the 34 cases involved self-employment.

¹³ We considered earnings discrepancies of \$1,000 or less to be immaterial.

¹⁴ Under the SSI program, SSA limits the time period in which a determination may be reopened or revised through administrative finality. Therefore, the Agency can only assess overpayments in the administrative finality period, which is within 1 year of the date of the notice of the initial determination for any reason, within 2 years for good cause, or at any time if fraud or similar fault exists. 20 C.F.R. §§ 416.1487 and 416.1488.

Earnings Posted in MSSICS but Not Sent to the SSR

In seven cases, we determined that SSA posted the wages in MSSICS but did not post them to the SSR. For example, a woman had \$7,254 in earnings on the MEF in 2012, but SSA only posted \$2,599 to her SSR for January through June 2012. Our review of MSSICS found \$4,655 in missing earnings for July through December 2012. Had SSA sent these additional earnings to the SSR, it would have assessed a \$2,072 overpayment.

Data are not transmitted automatically from MSSICS to the SSR. SSA informed us in October 2015 that it only updates the SSR automatically in limited situations where the Agency can be reasonably sure that development is complete. With earned income, there could be related items that SSA employees need to consider, including income-related work expenses, blind work expenses, etc. The current process allows the SSA employee to verify that his/her updates contain the intended changes.

Earnings Alerts

We found that 17 of the 34 cases had an earnings alert that SSA cleared after the recipients earned the income, yet the Agency did not properly post the earnings to the SSR. For example, a Mississippi woman had no earnings posted to her SSR, even though the MEF showed she earned \$8,732 in self-employment income. SSA received a K6 alert, which alerts the Agency that wage information provided by the IRS exceeds the earnings for the tax year reported by the SSI recipient. This alert was cleared with the remark “posted,” though the earnings were not posted. Had SSA posted these missing earnings to the recipient’s record, an overpayment of \$3,856 would result.

Additionally, earnings alerts were present on seven of the cases in which SSA did not consider all the earnings.¹⁵ The earnings alerts had been outstanding for as long as 3 years. The oldest alert was posted in April 2012, four alerts were posted in 2014, and two alerts were posted in March 2015. SSA should work these alerts timely to ensure it posted overpayments to the record and finds any additional wages.

For example, a Massachusetts woman had \$4,962 in earnings posted on her SSR in 2013. However, she had \$7,539 posted to the MEF, which meant \$2,577 in earnings was missing from the SSR. The SSA field office received an S2 alert in March 2014, which alerted the Agency that State-reported wages exceeded the wages the recipient reported. Had these missing wages been posted to the recipient’s record, a \$1,130 overpayment would result.

¹⁵ Of these seven cases, two also had an alert that was cleared with no earnings posted, and three also had wages posted to MSSICS that were not sent to the SSR.

Training

Although SSA's training materials contain detailed instructions on how to process earnings alerts, employees did not handle some alerts properly. The training materials used for claims and service representatives state that it is important to notice what alerts may be present and instructs the employee to initiate action and verification procedures as early as possible.¹⁶

Earnings Were Not Considered, but the Variance Was Immaterial or Did Not Cause an Overpayment

Of the 275 recipients, SSA did not consider 119 recipients' earnings when it calculated their SSA payment; however, the variance between what was posted on the MEF and what was posted on the SSR was less than \$1,000 or the variance would not have caused an overpayment.

Of these 119 cases,

- 112 had a variance of less than \$1,000,
- 5 would not have had an over- or underpayment, and
- 2 were being worked on by SSA as of September 2015.

For example, a woman had \$875 posted on the MEF for 2013 but no earnings posted on her SSR. Because this amount was less than \$1,000, we considered it immaterial and did not calculate a potential overpayment.

In another example, a woman had earnings posted to the MEF that were \$1,754 higher than the wages posted on the SSR. Though this amount was material, her SSI payment was already suspended because her income was too high; therefore, the additional earnings would not have caused an overpayment.

CONCLUSIONS

We found that SSA did not consider all SSI recipients' earnings when it determined SSI eligibility and payment amounts. As a result, we identified some improper payments that occurred because the Agency did not properly consider all the recipients' earnings. We found some instances where SSA had not worked earnings alerts outstanding for long periods of time and other instances where earnings alerts were cleared, but the earnings were still not properly posted to the recipients' record.

¹⁶ SSA, *Title XVI Claims Representative Basic Training*, Mod-09/Ch-01, SSI Post Eligibility, 2015-1, p. 35 and *Service Representative Advanced Training*, Mod-06/Ch-01, Redeterminations & Limited Issues, April 2014, p. 75.

RECOMMENDATIONS

We recommend SSA

1. Remind employees to develop earnings alerts before clearing them and to send wage entries posted in MSSICS to the SSR.
2. Review the 34 improperly paid sample cases and take appropriate action.

AGENCY COMMENTS

SSA agreed with the recommendations; see Appendix C.



for

Steven L. Schaeffer, JD, CPA, CGFM, CGMA
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE, METHODOLOGY, AND SAMPLE RESULTS

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Administration’s (SSA) laws, regulations, rules, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Obtained a file of 15,643 non-blind Supplemental Security Income (SSI) recipients who were receiving payments as of July 2014. We chose these recipients from 1 of 20 Social Security number segments¹ with at least 1 year of earnings on the Master Earnings File (MEF) between 2010 and 2013 that exceeded \$780 and did not have a redetermination pending as of October 2014.²
- Selected a random sample of 275 cases from the population of 15,643 and analyzed any earnings discrepancies. Specifically, we determined whether variances existed between earnings posted to the MEF and earnings SSA considered when calculating SSI eligibility per the Supplemental Security Record (SSR). If the earnings did not reasonably agree to earnings recorded on the SSR, we reconciled the variances with SSA (using available electronic data/and or contacting appropriate Agency employees).³
- Provided our sample cases with potential improper payments to SSA’s Office of Operations, and its staff reviewed 15 cases to determine the amount these individuals were improperly paid because of earnings. Based on the information SSA provided, we reviewed potential finding cases again to ensure our cases were consistent with SSA’s methodology.

Sample Results

- Population from 1 of 20 Social Security number segments: 15,643
- Sample Size: 275
- Estimated Number of Beneficiaries in Universe
(Population of audited segment multiplied by 20): 312,860

¹ The last two digits of the Social Security number are randomly assigned and can contain digits “00 to “99.” These Social Security numbers are categorized into 20 segments. For this audit, we selected Social Security numbers ending in digits “05” to “09.”

² The earned income exclusion of \$65 per month applies with determining countable income. For SSI purposes, we calculated $\$65 * 12$ months to arrive at \$780.

³ By reasonably agree, we refer to cases in which the variance in earnings does not exceed \$1,000. We considered earnings discrepancies of \$1,000 or less to be immaterial.

Table A–1: SSI Recipients with Improper Payments

	Number of Recipients	Estimate in All 20 Segments
Sample Results	34	680
Point Estimate	1,934	38,680
Projection Lower Limit	1,449	
Projection Upper Limit	2,516	

Note: Projections are at the 90-percent confidence level.

Table A–2: SSI Improper Payments

	SSI Improper Payments	Estimate in All 20 Segments
Sample Results	\$56,638	\$1,132,760
Point Estimate	\$3,221,775	\$64,435,500
Projection Lower Limit	\$1,222,920	
Projection Upper Limit	\$5,220,631	

Note: Projections are at the 90-percent confidence level.

We conducted our review from March through September 2015 in Boston, Massachusetts. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. The principal entity reviewed was the field offices 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 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 objective.

Appendix B – PRIOR AUDIT REPORTS

We have issued audit reports in the past related to Supplemental Security Income (SSI) recipients with earnings.

In December 2012, we issued *The Social Security Administration's Development of Earnings Alerts for Supplemental Security Income Recipients* (A-02-11-11185). We found that SSA's development of SSI earnings alerts was not always effective. Over 86 percent of the 16,952 earnings alerts we identified in May 2009 had been pending over 6 months. In May 2010, 2,883 of the 16,952 earnings alerts were still pending.

We recommended SSA remind staff to develop alerts by taking all appropriate actions to post earnings to the Supplemental Security Record (SSR) accurately and transmit earnings to the SSR when recorded in the Modernized Supplemental Security Income Claims System (MSSICS). SSA agreed with this recommendation; and on June 7, 2013, issued a reminder to field office staff to develop SSI wage interface alerts and take all actions necessary to accurately post earnings data to the SSR and MSSICS.

We also recommended that SSA evaluate whether it was cost-effective to establish earnings alerts more likely to lead to payment changes. More specifically, SSA should consider using focused criteria to generate earnings alerts that take into account other factors that determine the SSI payment amount along with the amount of earnings identified. SSA agreed with this recommendation and completed an analysis of data. The Agency found that it would not be productive or cost-effective to use focused criteria to generate earnings alerts.

In April 2005, we issued *Disabled Supplemental Security Recipients with Earnings* (A-01-04-14085). We estimated that approximately \$12.4 million was overpaid to about 11,800 recipients because SSA did not previously consider all of their earnings.

We recommended SSA ensure the earnings-related diaries resulting from computer matches are adequately controlled by management and resolved timely. We also recommended that SSA remind field office employees to: (a) review earnings recorded on the Master Earnings File (MEF) whenever redeterminations and limited issue reviews are performed, (b) review and resolve any discrepancies that exist between the MEF and the SSR, and (c) transmit earnings data to the SSR when recorded in MSSICS. SSA agreed with these recommendations. The Agency stated it would issue a reminder to field office managers to keep tight control of earnings-related diaries so they are resolved in a timely manner.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 11, 2015 Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Frank Cristaudo /s/
Executive Counselor to the Commissioner

Subject: The Office of the Inspector General (OIG) Draft Report, “Supplemental Security Income Recipients Who Have Earnings” (A-01-16-50003) -- 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 (OIG) DRAFT REPORT,
“SUPPLEMENTAL SECURITY INCOME RECIPIENTS WHO HAVE EARNINGS” (A-01-16-
50003)**

We appreciate your recognition of the importance of accurate and timely posting of earnings for determining Supplemental Security Income (SSI) eligibility and payment amounts. The SSI program is complex due to fluctuations in our recipients' monthly income, resources, and living arrangements. Improper payments often occur if recipients, deemors (i.e., parent or spouse whose income and resources are considered in determining a recipient's eligibility and payment), or representative payees fail to report changes on time. Our stewardship findings over the last five years show that errors or omissions in wages are a leading cause of improper payments in the program.

As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs to minimize improper payments. Our strategy for reducing wage-related improper payments is to develop a computer match with payroll data providers to obtain wage information directly, and use the data immediately without independent verification. Section 824, H.R. 1314, of the Bipartisan Budget Act of 2015, signed on November 2, 2015, gave us authority to enter into information exchanges with payroll data providers, and alleviates Computer Matching and Privacy Protection Act restrictions. We are working expeditiously to implement this new authority.

In addition, in October 2015, we enhanced our SSI claims system to electronically record an individual's authorization to obtain personal information such as wages. The enhancement automated a manual paper process, and not only streamlined the workload process, but also set the foundation for computer matching of wage data. We provide our responses to the recommendations below.

Recommendation 1

Remind employees to develop earnings alerts before clearing them and to send wage entries posted in MSSICS to the SSR.

Response

We agree. We will remind employees to develop earnings alerts before clearing them and to send wage entries posted in Modernized SSI claims system to the Supplemental Security Income record by May 31, 2016.

Recommendation 2

Review the 34 improperly paid sample cases and take appropriate action.

Response

We agree. We will review the 34 improperly paid sample cases and take appropriate action by May 31, 2016.

Appendix D – ACKNOWLEDGMENTS

Judith Oliveira, Director, Boston Audit Division

David Mazzola, Audit Manager

Katie Greenwood, Senior Auditor

Kevin Joyce, IT Specialist

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor

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