

Audit Report

Supplemental Security Income
Recipients Eligible for, or Receiving,
Pensions from China

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 9, 2016 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China
(A-01-16-50011)

The attached final report presents the results of the Office of Audit's review. The objective was to identify Supplemental Security Income recipients who were eligible for, or receiving, pensions from China and who may have therefore been overpaid.

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.



Gale Stallworth Stone

Attachment

Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China

A-01-16-50011



June 2016

Office of Audit Report Summary

Objective

To identify Supplemental Security Income (SSI) recipients who were eligible for, or receiving, pensions from China and who may have therefore been overpaid.

Background

Since SSI is a program based on financial need and the payer of last resort, SSI recipients must apply for all other available sources of income to remain eligible. This includes foreign-based pensions.

Foreign pension-paying entities that pay income to persons living in the United States do not usually make the income information available to the Internal Revenue Service. Therefore, SSA relies on recipients to self-report the information. Additionally, pensions from China may be payable to individuals who have 15 years of work in China, even though the individuals reside in the United States.

We identified 29,361 SSI recipients who may have been eligible for, or receiving, a pension from China. We selected a random sample of 200 recipients from this population for review.

Findings

Based on the results of our review, we estimated that about 5,900 SSI recipients received undisclosed pensions from China. Of these recipients, we estimated the Social Security Administration (SSA) overpaid about 5,600 recipients \$125 million because of undisclosed pensions from China and will continue improperly paying about \$25 million in SSI payments over the next 12 months if it does not properly post this income to its records.

Specifically, of the 200 recipients in our sample,

- 40 (20 percent) were receiving a pension from China, and 38 of the 40 were overpaid approximately \$850,000;
- 12 (6 percent) may have been eligible for, but were not receiving, a pension from China;
- 134 (67 percent) were not eligible for a pension from China;
- 12 (6 percent) did not respond to our request for information. We referred these cases to SSA in February 2016; and
- 2 (1 percent) were not applicable because the recipient either died or had benefits suspended.

Recommendation

We recommend that SSA follow up on the cases in our sample in which the recipients are receiving or potentially eligible for pensions from China and take appropriate corrective action.

SSA agreed with the recommendation.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
Recipients Receiving Pensions from China.....	3
Steps SSA Had Taken to Identify Foreign Pensions	4
Conclusions.....	5
Recommendation	5
Agency Comments.....	5
Appendix A – Scope, Methodology, and Sample Results.....	A-1
Appendix B – Agency Comments.....	B-1
Appendix C – Acknowledgments.....	C-1

ABBREVIATIONS

C.F.R.	Code of Federal Regulations
FY	Fiscal Year
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

OBJECTIVE

Our objective was to identify Supplemental Security Income (SSI) recipients who were eligible for, or receiving, pensions from China and who may have therefore been overpaid.

BACKGROUND

The SSI program is a national Federal cash assistance program administered by the Social Security Administration (SSA) that provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.¹ Since the SSI program is intended to be a program of last resort, individuals must first apply for all other benefits for which they are potentially eligible after they receive notice from SSA.² Generally, individuals are not eligible for SSI if they fail to take all the appropriate steps to apply for all other benefits for which they may be eligible—including pensions.³

When SSA personnel take an initial application or perform a redetermination, they ask individuals whether they are receiving a pension or worked under a pension plan in a foreign country. Redeterminations are periodic reviews of the non-medical factors of SSI eligibility. According to SSA, it processed 2.3 million SSI applications and 2.6 million SSI redeterminations in Fiscal Year (FY) 2014.⁴

SSA maintains place of birth information in its records and verifies this information with the claimant during an initial claim. Place of birth information is also available to SSA employees during redeterminations. In addition, SSA notes the recipient's preferred language in its records, which could indicate the recipient worked in a foreign country at one time and could be eligible for a foreign pension.

Foreign pension-paying entities that pay income to persons living in the United States do not usually make the income information readily available to the Internal Revenue Service. Thus, SSA cannot detect these pensions through electronic systems interfaces and therefore individuals must self-report them. However, there is no incentive for SSI recipients to report the pension income since it could reduce their monthly SSI payment or make them ineligible for SSI. In December 2012, we issued a report that estimated SSA overpaid about 2,000 recipients approximately \$45 million in SSI payments because of undisclosed pensions from Russia.⁵

¹ *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

² *Social Security Act* § 1611(e)(2), 42 U.S.C. § 1382(e)(2).

³ 20 C.F.R. §§ 416.210(a) and (b).

⁴ SSA, *SSI Annual Statistical Report, 2014*, page 119, October 2015, and *Agency Financial Report for Fiscal Year 2014*, page 8, November 10, 2014.

⁵ SSA OIG, *Supplemental Security Income Recipients Eligible for, or Receiving, Russian Pensions* (A-01-12-21238), December 2012.

An SSA employee researched the Chinese pension system and found that many SSI recipients who emigrated from China were eligible for Chinese pensions. Chinese pensions may be available to individuals with 15 years of work in China, even though the individuals reside in the United States.

In October 2014, we received an anonymous letter alleging an SSI recipient did not report his Chinese pension income to SSA. We provided the allegation to our fraud Hotline staff for review and appropriate action, and we initiated this review to identify the extent nationwide of recipients not reporting Chinese pension income to SSA.

Through data analysis, we identified 29,361 SSI recipients who may have been eligible for, or receiving, a pension from China. We selected a random sample of 200 recipients from this population for review. For our scope, methodology, and sample results, see Appendix A.

RESULTS OF REVIEW

Based on the results of our review, we estimated—at the 90-percent confidence level—that about 5,900 SSI recipients received undisclosed pensions from China. Of these recipients, we estimated SSA overpaid about 5,600 recipients \$125 million and will continue improperly paying about \$25 million in SSI payments over the next 12 months if this income is not properly posted to SSA’s records. SSA overpaid these recipients because they did not report their pension income from China to SSA. SSI recipients answered “no” when SSA asked whether they had any other income, including pensions. However, when we sent letters during our review asking whether the recipient specifically received a pension from China, the recipient answered “yes” and provided supporting documentation. SSA staff could have identified the possibility of a pension by analyzing cases where recipients/applicants had moved to the United States from China. Then, SSA staff could verify the source, amount, and frequency of the pension payment to determine the effect it had on the SSI payment.

Of the 200 recipients in our sample,

- 40 (20 percent) were receiving a pension from China, and 38 of the 40 were overpaid approximately \$850,000;⁶
- 12 (6 percent) may have been eligible for, but were not receiving, a pension from China. We referred these cases to SSA in January and February 2016;
- 134 (67 percent) were not eligible for a pension from China (57 did not work in China; 29 were either a farmer or a housewife; 21 either received a lump sum, resigned, or the company went out of business; 17 did not work long enough for a pension; and 10 were not eligible for other reasons);

⁶ As of May 2016, SSA had assessed over \$116,000 in overpayments and was continuing to work these cases.

- 12 (6 percent) did not respond to our request for information. We referred these cases to SSA in February 2016; and
- 2 (1 percent) were not applicable because either the recipient died or had benefits suspended.

For the number of cases by State, see Table 1.

Table 1: Sample Cases by State with Potential Overpayments

State	Number of SSI Recipients Receiving a Pension	Number of SSI Recipients Potentially Eligible for a Pension	Number of SSI Recipients Who Did not Respond to OIG During the Review	Total SSI Recipients in Sample
Arizona		1		1
California	18	7	8	33
Colorado	1			1
Hawaii	1	1		2
Illinois	2			2
Massachusetts	2		2	4
Michigan		1		1
New Jersey	1			1
New York	8	2	1	11
Pennsylvania	2			2
Texas	1			1
Washington	4			4
Wisconsin			1	1
Subtotal				64
Total Recipients in Sample Not Eligible for a Chinese Pension or the Pension was Not Applicable				136
Total	40	12	12	200

Recipients Receiving Pensions from China

Of the 200 recipients in our sample, 40 admitted to having a pension from China. The average monthly pension was \$427, ranging from a low of \$75 to a high of \$1,141. Of these, 39 recipients' SSI payments should have been reduced by a total of \$14,095 per month and

\$169,144 over the next 12 months. In addition, these recipients were overpaid a total of \$849,766, with an average overpayment of \$21,244 over an average of more than 5 years.⁷

For example, a Massachusetts woman submitted a pension document that showed her pension from China began in October 2006. She also submitted a bankbook that showed the pension amount deposited into her Chinese bank account was \$468 per month in 2014. In addition, her bankbook showed amounts over the resource limit for SSI from September through December 2014.

Her SSI record showed she applied for SSI in January 2007 and did not report her pension from China. Additionally, the Agency redetermined her SSI eligibility in 2009 and 2011. She did not report her pension from China during the redeterminations. We estimated that SSA overpaid her over \$30,000 from 2007 through 2015. If the Agency corrects her record, it would save almost \$6,000 over the next 12 months.

In another example, a woman from Hawaii submitted a document stating her pension from China began in August 1994. The pension amount was \$548 per month in 2015. Her SSI record showed she applied for SSI in December 2007 and did not report her pension from China. Additionally, the Agency redetermined her SSI eligibility every year from 2008 through 2011. She did not report her pension from China during the redeterminations. We estimated that SSA overpaid her over \$29,000 from 2008 through 2015. If the Agency corrects her record, it would save over \$4,000 over the next 12 months.

Of the 40 recipients with Chinese pensions, 32 had a redetermination between 2013 and 2015 and did not report the income to SSA when asked whether they had any income.

Steps SSA Had Taken to Identify Foreign Pensions

On May 1, 2013, SSA issued a reminder to employees to ask recipients about foreign pensions. This was in response to a recommendation in our prior audit regarding SSI recipients eligible for, or receiving, pensions from Russia.⁸ The Administrative Message reminded SSA employees to discuss the requirement to file for other benefits, such as foreign-based pensions, with SSI applicants and recipients during contact.

The Agency also expanded information concerning the collection of foreign pensions in its systems. On October 24, 2015, the Agency added a link in its system to make it easier for employees to access information about foreign pensions. This link provides the principal features of social security programs in more than 170 countries. Additionally, SSA changed the

⁷ Of these 40 recipients, 14 would be ineligible for SSI payments because of their pension from China, and 26 would receive reduced SSI payments.

⁸ SSA OIG, *Supplemental Security Income Recipients Eligible for, or Receiving, Russian Pensions* (A-01-12-21238), December 2012.

wording of the question employees use to collect this information to add clarity and capture more accurate responses from claimants as to whether they have any foreign pension income.

CONCLUSIONS

As SSI is a program of last resort, recipients must apply for all other benefits for which they are potentially eligible and report all other income. We estimate SSA overpaid about 5,600 recipients about \$125 million because of undisclosed pensions from China. In October 2015, SSA changed its systems, including rewording the question employees ask claimants regarding foreign pension income. Therefore, going forward, the Agency is more likely to obtain more accurate responses from claimants regarding foreign pension income.

RECOMMENDATION

We recommend that SSA follow up on the cases in our sample in which the recipients are receiving or potentially eligible for pensions from China and take appropriate corrective action.

AGENCY COMMENTS

SSA agreed with the recommendation; see Appendix B.

A handwritten signature in black ink, appearing to read "Rona Lawson".

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE, METHODOLOGY, AND SAMPLE RESULTS

To achieve our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Obtained a file of 29,361 Supplemental Security Income (SSI) recipients who may have been eligible for, or receiving, pensions from China. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. This population consisted of SSI recipients
 - with a place of birth of China on SSA's records,
 - old enough to be eligible for a pension from China (females born in 1960 or earlier and males born in 1955 or earlier),
 - who did not already have a pension posted to the SSI record,
 - who obtained their first Social Security number card at age 33 or older (so they could have worked 15 years in China), and
 - who entered the United States in 1993 or later, when the pension system was put in place.
- Selected a random sample of 200 recipients for detailed review. For each sample case, we:
 - ✓ Sent the recipient a letter to determine whether they were receiving, or were eligible for, a pension from China. We requested that recipients who were eligible for pensions from China start the application process. For those receiving pensions from China, we requested the amount.
 - ✓ Calculated the amount of SSI payments overpaid to recipients because of undisclosed pensions from China.
 - ✓ Referred to the Agency for corrective action instances in which the recipient received, or was potentially eligible for, a pension from China.
 - ✓ Sent second requests to non-responders, and, if we received no response to the second request, we referred the cases to SSA.
- Projected the number of recipients who were overpaid because of undisclosed pensions from China, along with the amount overpaid.

We conducted our review in Boston, Massachusetts, between October 2015 and March 2016. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sample Results

Population and Sample Size

- Population: 29,361
- Sample Size: 200

Table A–1: Estimated SSI Recipients Receiving an Undisclosed Pension from China

	Recipients
Sample Results	40
Point Estimate	5,872
Projection Lower Limit	4,542
Projection Upper Limit	7,401

Note: Projections were calculated at the 90-percent confidence level.

Table A–2: Estimated SSI Recipients Overpaid Because of Receiving an Undisclosed Pension from China

	Recipients	Dollars
Sample Results	38	\$849,766
Point Estimate	5,579	\$124,749,898
Projection Lower Limit	4,278	\$82,737,721
Projection Upper Limit	7,085	\$166,762,074

Note: Projections were calculated at the 90-percent confidence level.

Table A–3: Estimated 12-month Savings

	Dollars
Sample Results	\$169,144
Point Estimate	\$24,831,232
Projection Lower Limit	\$18,367,594
Projection Upper limit	\$31,294,870

Note: Projections were calculated at the 90-percent confidence level.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 27, 2016 Refer To: S1J-3

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

From: Frank Cristaudo /s/
Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, "Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China" (A-01-16-50011)--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,
"SUPPLEMENTAL SECURITY INCOME RECIPIENTS ELIGIBLE FOR, OR
RECEIVING, PENSIONS FROM CHINA" (A-01-16-50011)**

Recommendation 1

Follow up on the cases in our sample in which the recipients are receiving or potentially eligible for pensions from China and take appropriate corrective action.

Response

We agree. By the end of June 2016, we expect to take the necessary actions on the cases.

Appendix C – ACKNOWLEDGMENTS

Judith Oliveira, Director, Boston Audit Division

David Mazzola, Audit Manager

Katie Greenwood, Senior Auditor

Vincent Huang, Senior Analyst

Kevin Joyce, IT Specialist

Wai Ho Yung, Auditor

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor

MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

CONNECT WITH US

The OIG Website (<https://oig.ssa.gov/>) gives you access to a wealth of information about OIG. On our Website, you can report fraud as well as find the following.

- OIG news
- audit reports
- investigative summaries
- Semiannual Reports to Congress
- fraud advisories
- press releases
- congressional testimony
- an interactive blog, “[Beyond The Numbers](#)” where we welcome your comments

In addition, we provide these avenues of communication through our social media channels.



[Watch us on YouTube](#)



[Like us on Facebook](#)



[Follow us on Twitter](#)



[Subscribe to our RSS feeds or email updates](#)

OBTAIN COPIES OF AUDIT REPORTS

To obtain copies of our reports, visit our Website at <https://oig.ssa.gov/audits-and-investigations/audit-reports/all>. For notification of newly released reports, sign up for e-updates at <https://oig.ssa.gov/e-updates>.

REPORT FRAUD, WASTE, AND ABUSE

To report fraud, waste, and abuse, contact the Office of the Inspector General via

Website: <https://oig.ssa.gov/report-fraud-waste-or-abuse>

Mail: Social Security Fraud Hotline
P.O. Box 17785
Baltimore, Maryland 21235

FAX: 410-597-0118

Telephone: 1-800-269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

TTY: 1-866-501-2101 for the deaf or hard of hearing