

*Audit Report*

Beneficiaries with Representative  
Payees and Earnings



## MEMORANDUM

**Date:** March 5, 2020 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Beneficiaries with Representative Payees and Earnings (A-02-17-50143)

The attached final report presents the results of the Office of Audit's review. The objective was to determine the accuracy of earnings the Social Security Administration used as the basis for increases to Old-Age, Survivors and Disability Insurance benefits for beneficiaries who had earned the earnings after the Agency appointed them representative payees.

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.

A handwritten signature in black ink that reads "Gail S. Ennis".

Gail S. Ennis

Attachment

# Beneficiaries with Representative Payees and Earnings

A-02-17-50143

SOCIAL SECURITY  
ADMINISTRATION



March 2020

Office of Audit Report Summary

## Objective

To determine the accuracy of earnings the Social Security Administration (SSA) used as the basis for increases to Old-Age, Survivors and Disability Insurance (OASDI) benefits for beneficiaries who had earned the earnings after the Agency appointed them representative payees.

## Background

SSA uses earnings information to calculate primary insurance amounts (PIA), which are used to determine beneficiaries' benefit amounts. When a beneficiary has earnings in the year he/she became entitled to benefits, or in a later year, those earnings may increase his/her PIA.

From 1 segment of the Master Beneficiary Record, we identified 2,683 beneficiaries with representative payees and earnings posted for Calendar Years 2015 through 2017. We identified 604 beneficiaries with 1 or more of 8 characteristics we determined warranted a review and reviewed their earnings posted in SSA's records. We selected 20 beneficiaries from each characteristic group to review. We also randomly selected 50 beneficiaries with none of the characteristics for review. For all cases selected, we determined whether their earnings, which were used to increase the beneficiaries' PIAs, were accurate.

## Findings

The earnings for 49 of the 50 randomly selected beneficiaries who had none of the questionable characteristics we identified were accurate. The remaining beneficiary did not respond to our requests to verify her earnings, so we were unable to confirm their accuracy. In contrast, for each group of beneficiaries with a questionable characteristic, we confirmed one or more of the beneficiaries had inaccurate earnings records. For the majority of the beneficiaries with inaccurate earnings, the inaccuracies led or will lead to PIA and benefit payment increases that the beneficiaries did not earn.

Nineteen beneficiaries were improperly paid approximately \$127,000 because SSA increased their PIAs and OASDI benefits based on earnings we determined were inaccurate. Projecting our results to the population, we estimate 1,700 beneficiaries were improperly paid approximately \$8 million. Additionally, we estimate SSA will improperly pay 1,460 of these beneficiaries approximately \$2.8 million in the next 12 months if the Agency does not correct their records.

For eight beneficiaries, SSA had not processed PIA increases based on inaccurate earnings posted on the beneficiaries' records. However, unless SSA removes the inaccurate earnings, the Agency will most likely increase their benefits based on the inaccurate earnings in the near future, and improperly pay these beneficiaries approximately \$4,600 in additional benefits for 2019. If not corrected, some of these improper payments will likely continue in years beyond 2019 as well.

## Recommendations

We provided five recommendations to SSA, including that it establish a process to review the accuracy of earnings records and PIA increases of beneficiaries likely to have inaccurate earnings posted to their records after their entitlement to OASDI. SSA should apply criteria such as, but not limited to, the criteria we used in our review and revise its criteria based on the results of its reviews to continuously improve the effectiveness of the process. SSA agreed with our recommendations.

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## **ABBREVIATIONS**

MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
PIA	Primary Insurance Amount
POMS	Program Operations Manual System
SSA	Social Security Administration

## OBJECTIVE

Our objective was to determine the accuracy of earnings the Social Security Administration (SSA) used as the basis for increases to Old-Age, Survivors and Disability Insurance (OASDI) benefits for beneficiaries who had earned the earnings after the Agency appointed them representative payees.

## BACKGROUND

SSA uses earnings information reported by employers and the Internal Revenue Service to calculate beneficiaries' primary insurance amounts (PIA), which SSA uses to determine their benefit amounts.<sup>1</sup> SSA staff reviews OASDI applicants' earnings histories and resolves any earnings inaccuracies.<sup>2</sup> SSA calculates newly entitled beneficiaries' PIAs based on their earnings history up to, but not including, the year of their entitlement.<sup>3</sup>

If a beneficiary has earnings in his/her year of entitlement, or any years after, his/her PIA may increase effective January of the following year.<sup>4</sup> For example, earnings posted for 2015 may cause a PIA increase effective January 2016.<sup>5</sup> When SSA processes PIA changes that increase beneficiaries' payments,<sup>6</sup> it sends a notice to inform them of the change.<sup>7</sup>

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<sup>1</sup> SSA must establish and maintain earnings records for individuals. *Social Security Act*, 42 U.S.C. § 405(c)(2)(A) (govinfo.gov 2017).

<sup>2</sup> SSA, *POMS*, GN 01010.011, A and B (March 1, 2017).

<sup>3</sup> SSA, *POMS*, RS 00605.017, 1 (January 4, 2017) defines base years as the available years from which earnings to be used in computing a PIA are selected. For initial PIA computations for retirement and disability benefits, the base years are years after 1950 up to the year in which the first month of entitlement to benefits occurs. SSA, *POMS*, RS 00605.017, 1.a (January 4, 2017). SSA, *POMS*, RS 00605.021, B (April 8, 2013), explains how determining base years is part of the process of calculating a PIA.

<sup>4</sup> SSA, *POMS*, RS 00605.017, 1.a (January 4, 2017) explains that base years for PIA recomputations include the year in which the first month of entitlement occurs and later years. SSA, *POMS*, RS 00605.021, B.1 (April 8, 2013) explains that, only earnings for a year that is one of the highest earnings years, may increase PIAs. SSA, *POMS*, RS 00605.401, B.1 (October 1, 2010) defines PIA recomputations as effective January of the year following the year the earnings were earned.

<sup>5</sup> SSA's Automatic Earnings Reappraisal Operation system detects changes in beneficiaries' earnings records and process PIA changes needed because of new earnings.

<sup>6</sup> PIA increases do not always result in a benefit increase for the beneficiary. Specifically, for beneficiaries who are receiving more than one benefit, such as retirement benefit and a widow's benefit, the beneficiaries may be paid a smaller benefit plus the excess amount of a larger benefit. The effect of this is that an increase in one benefit amount may be offset by a decrease in the other benefit amount, so the combined total benefit amount remains unchanged. SSA, *POMS*, RS 00615.020 (August 21, 2014).

<sup>7</sup> SSA, *POMS*, NL 00601.040, A.1 (October 24, 2017). SSA must send a notice to a beneficiary when it takes an action that affects the beneficiary's benefits or status. SSA, *POMS*, NL 00703.317 (April 9, 2015) displays a notice of recomputation of benefit amounts SSA sends to beneficiaries.

## Earnings Accuracy

SSA's policy states that the earnings records the Agency maintains are presumed to be correct as posted. SSA questions the accuracy of the earnings only if it encounters evidence that contradicts this assumption. While SSA assumes its earnings records are accurate, our prior audits found that SSA recorded inaccurate earnings in some beneficiaries' records. At times, the beneficiaries' records were updated with income they did not earn because of clerical errors or because other individuals used the beneficiaries' identities to work.<sup>8</sup> For example, our work showed individuals had fraudulently used elderly beneficiaries' identities to work.

We understand that, given the number of earnings posted in a year,<sup>9</sup> it may not be feasible or cost-effective for SSA to verify all earnings postings. Accordingly, our review is an attempt to determine whether SSA can focus on certain characteristics to more accurately identify cases with inaccurate earnings.

## Audit Population

We initially selected beneficiaries who had representative payees because they were less likely to have earnings than beneficiaries who did not have representative payees.<sup>10</sup> Representative payees disburse benefit payments for beneficiaries whom SSA determines are incapable of managing or directing the management of their benefits.<sup>11</sup>

From 1 segment of the Master Beneficiary Record, we identified 2,683 beneficiaries who had earnings posted for Calendar Years 2015 through 2017, representative payees established when the beneficiaries accrued the earnings, and PIA increases because of the earnings. From the 2,683, we identified 604 beneficiaries with 1 or more of 8 characteristics we believed would call into question the accuracy of the earnings posted.<sup>12</sup> These characteristics were as follows.

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<sup>8</sup> SSA, OIG, *Institutionalized Beneficiaries Who Have Earnings*, A-02-17-50140 (August 2018) and SSA, OIG, *Improper Use of Elderly Individuals' Social Security Numbers*, A-03-16-24028 (January 2017).

<sup>9</sup> In FY 2019, SSA posted over 288 million earnings items to workers' records.

<sup>10</sup> While not prohibited from having earnings, beneficiaries with representative payees are less likely to have them. We identified 2,120,748 beneficiaries from 1 segment of SSA's Master Beneficiary Record who were receiving benefits on their own records and found 16 percent of beneficiaries with representative payees had earnings in Calendar Year 2017. Comparatively, 27 percent of beneficiaries who did not have representative payees had earnings in that year.

<sup>11</sup> Representative payees also receive benefits for minor children, but, since we reviewed accuracy of earnings for beneficiaries receiving benefits on their own records, minor children were not part of our audit population.

<sup>12</sup> Of the 604 beneficiaries, 443 had 1 characteristic, 131 had 2 characteristics, 28 had 3 characteristics, 1 had 4 characteristics, and 1 had 5 characteristics.

- Beneficiaries with inconsistent historical earnings amounts and significant gaps in their earnings records.<sup>13</sup>
- Beneficiaries with earnings that resulted in PIA increases of 50 percent or more.
- Beneficiaries with the highest earnings amounts.
- The oldest beneficiaries.
- Beneficiaries who had four or more employers in 1 year.
- Beneficiaries who had six or more employers from 2015 to 2017.
- Beneficiaries who had earnings removed for more than one employer because the earnings did not belong to them.
- Beneficiaries with self-employment income.<sup>14</sup>

For each characteristic we identified, we selected for review a sample of 20 beneficiaries with that characteristic.<sup>15</sup> Additionally, from the remaining 2,079 beneficiaries who had none of the characteristics, we reviewed a random sample of 50 beneficiaries. For a full description of our sampling methodology, see Appendix A.

## **RESULTS OF REVIEW**

We found the earnings were accurate for 49 of the 50 randomly selected beneficiaries who had none of the questionable characteristics we identified. The remaining beneficiary did not respond to our requests to verify her earnings, so we were unable to confirm their accuracy. However, for each group of beneficiaries who had representative payees and characteristics we believe call into question the accuracy of their earnings, we determined one or more of the beneficiaries had inaccurate earnings. In most cases, the inaccurate earnings records led to improper payments (see Table 1).

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<sup>13</sup> We considered beneficiaries to have inconsistent historical earnings amounts if recent years' earnings posted were high compared to historical earnings and did not appear to be due to a general upward trend in earnings, there were large yearly variances in recent earnings amounts, or earnings appear in the middle of many years of \$0 earnings. We then further evaluated these beneficiaries and only selected beneficiaries with three or more gaps of \$0 earnings or at least one gap of 6 years or more of \$0 earnings.

<sup>14</sup> We only identified beneficiaries where all self-employment income posted for the beneficiaries occurred after the year they initially had a representative payee selected for them.

<sup>15</sup> Some of the beneficiaries selected for review had more than one of the characteristics. The 604 beneficiaries had a total of 798 characteristics.

**Table 1: Beneficiaries with Representative Payees and Questionable Characteristics**

Characteristic	Number of Beneficiaries Sampled	Number of Beneficiaries Who Had Inaccurate Earnings <sup>16</sup>	Number of Beneficiaries Improperly Paid	Improper Payment Amount <sup>17</sup>
Beneficiaries with inconsistent historical earnings amounts or significant gaps in their earnings records	20	1	1	\$372
Beneficiaries with PIA increases of 50 percent or more	20	4	3	\$64,886
Beneficiaries with the highest earnings amounts	20	1	1	\$32,745
The oldest beneficiaries	20	4	3	\$442
Beneficiaries with four or more employers in 1 year	20	5	3	\$422
Beneficiaries with six or more employers from 2015 to 2017	20	4	3	\$13,346
Beneficiaries with earnings removed for more than one employer	20	3	3	\$7,299
Beneficiaries with self-employment income	20	4	3	\$7,493

Additionally, unless SSA takes corrective action, the Agency will improperly pay the beneficiaries approximately \$45,000 over the next 12 months because of increased PIAs and benefit payments based on those inaccurate earnings.<sup>18</sup>

Based on the results in Table 1, we estimate SSA improperly paid 1,700 beneficiaries approximately \$8 million because the Agency increased their benefit payments based on earnings the beneficiaries did not earn. Additionally, we estimate SSA will improperly pay 1,460 of these beneficiaries approximately \$2.8 million in the next 12 months if the Agency does not correct their records.

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<sup>16</sup> Beneficiaries who had inaccurate earnings were those who had inaccurate earnings on their earnings records at the time of our review and those whose inaccurate earnings were previously posted and later removed, but the beneficiaries' PIA increases were not adjusted after the inaccurate earnings were removed.

<sup>17</sup> The improper payments were calculated through July 2019.

<sup>18</sup> The 12 months' projection was determined to be August 2019 through July 2020, except for beneficiaries whose benefits were anticipated to end sooner. We calculated these beneficiaries' future projections based on their anticipated benefit end date.

For eight beneficiaries who had inaccurate earnings on their earnings records, SSA had not processed PIA increases at the time of our review and therefore had not improperly paid them.<sup>19</sup> However, unless SSA removes the inaccurate earnings from the beneficiaries' earnings records, it is likely the Agency will eventually increase their benefits based on the inaccurate earnings. We estimate that—unless SSA removes the inaccurate earnings—the Agency will improperly pay these individuals approximately \$4,600 in additional benefits for 2019 that they are not entitled to receive.<sup>20</sup>

## Detecting Inaccurate Earnings

While SSA has a number of workloads that include reviewing earnings posted after beneficiaries begin receiving benefits, the workloads do not cover all beneficiaries and earnings postings. We describe some of the workloads below.

- Retirement beneficiaries who are younger than full retirement age are subject to an earnings test, which determines whether the beneficiaries' earnings would reduce their monthly benefit.<sup>21</sup>
- SSA may select disabled beneficiaries for work continuing disability reviews,<sup>22</sup> where SSA reviews the beneficiaries' work activities and obtains work-related information, including monthly earnings amounts, to determine whether the beneficiaries are still eligible for benefits.<sup>23</sup>
- Some individuals also receive Supplemental Security Income payments. SSA staff reviews these recipients' monthly earnings to determine whether they continue to be eligible for Supplemental Security Income.<sup>24</sup>

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<sup>19</sup> For six of the eight cases, SSA processed some of the PIA increases but had not processed others. For the two additional cases, SSA had not processed any of the PIA increases at the time of our review.

<sup>20</sup> All eight beneficiaries had inaccurate earnings for 2018, which would cause a PIA increase effective January 2019. We calculated improper payments from January through December 2019.

<sup>21</sup> SSA, *POMS*, RS 02501.021, A and B (April 24, 2013).

<sup>22</sup> SSA, *POMS*, DI 13010.010, A (December 11, 2012).

<sup>23</sup> SSA, *POMS*, DI 13010.001 (April 22, 2009) explains that SSA performs a work continuing disability review to investigate work activities and determine whether the beneficiaries performed substantial gainful activity. SSA determines substantial gainful activity by reviewing monthly earnings amounts.

<sup>24</sup> SSA, *POMS*, SI 00810.001, B (September 26, 2011) explains that SSA counts income, which includes earnings, on a monthly basis to determine Supplemental Security Income payment eligibility.

SSA had not selected some of the earnings we found to be inaccurate for any SSA earnings reviews. For example, 4 of the 20 oldest beneficiaries we reviewed had inaccurate earnings. SSA had not reviewed the four beneficiaries' earnings. Also, SSA did not always detect inaccurate earnings when it reviewed records. For example, 5 of the 20 beneficiaries who worked for 4 or more employers in 1 year had inaccurate earnings. Although SSA had reviewed earnings for four of the five beneficiaries, all five beneficiaries still had inaccurate earnings.

While SSA's workload includes reviewing earnings, its policy states that the earnings records SSA maintains are presumed to be correct as posted. SSA questions the accuracy of the earnings only if it encounters evidence that contradicts this assumption. When reviewing earnings through the workloads described above, SSA does not always contact beneficiaries or representative payees to confirm the accuracy of posted earnings.<sup>25</sup> We contacted representative payees to confirm the accuracy of the beneficiaries' earnings.

### *Processing PIA Increases*

Generally, SSA automatically processes PIA increases based on earnings added to beneficiaries' records. However, SSA's policy includes codes that staff can enter into Agency's systems to prevent the automatic processing of PIA increases while adjusting beneficiaries' earnings records<sup>26</sup> or when beneficiaries request that their PIAs not be increased based on additional earnings posted.<sup>27</sup> While staff can prevent the automatic processing of PIA increases for these specific situations, SSA's policy does not include codes to prevent the automatic processing of future PIA increases for other reasons, such as cases with a history of inaccurate increases that resulted from inaccurate earnings.<sup>28</sup>

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<sup>25</sup> SSA can use other sources, such as earnings queries and employers.

<sup>26</sup> Per SSA, *POMS*, RS 01405.090 (March 12, 2012), SSA staff can enter a code in SSA's systems for cases where SSA is adjusting beneficiaries' earnings. Processing PIA increases while earnings are being adjusted can result in incorrect PIAs if the PIAs are based on earnings that are later changed. SSA's Automatic Earnings Reappraisal Operation system identifies and routes the cases with this specific code to SSA staff for review.

<sup>27</sup> Per SSA, *POMS*, RS 00605.407, B.9 (March 15, 2006), SSA staff can enter a code in SSA's systems for cases where the recomputation of the PIA is disadvantageous to the beneficiary because it results in a decrease in total family benefits for various reasons. For example, for beneficiaries receiving more than one type of OASDI benefit, an increase in their PIA can cause a decrease in their total benefits after rounding. SSA's Automatic Earnings Reappraisal Operation system identifies and routes the cases with this specific code to SSA staff for review.

<sup>28</sup> SSA, *POMS*, GN 01040.100 (October 31, 2017) lists the codes that are used for various case situations. Preventing the automatic processing of future PIA increases for beneficiaries who have a history of inaccurate increases that resulted from inaccurate earnings is not shown on the list.

For example, in 1 case, staff removed 111 of 133 earnings postings added to a beneficiary's record over a number of years. While staff corrected the beneficiary's earnings multiple times, it only did so after the beneficiary's PIA was increased based on the inaccurate earnings. While the beneficiary's record had multiple years of inaccurate earnings,<sup>29</sup> staff could not prevent the automatic processing of future PIA increases to ensure the earnings triggering the increases were accurate before they were processed.

### ***PIA Notices***

The notices SSA sends beneficiaries and representative payees to inform them of changes to benefit payments lack information about the earnings SSA used to increase the benefits.<sup>30</sup> Specifically, the notices do not provide information about the earnings type, employer, and earnings amounts that SSA used to calculate the benefit increases. Additionally, the notices do not always inform the beneficiaries or their representative payees of their responsibility to report errors to SSA nor how to report errors. Because the notices lack details about the earnings, beneficiaries or their representative payees may not be aware of errors in their earnings records.

### ***Adjusting Benefits After Earnings Are Removed***

SSA did not adjust their benefits for six beneficiaries with inaccurate earnings when those earnings were removed from their records. Therefore, the beneficiaries continued receiving higher monthly benefit amounts because of PIA increases based on earnings they had not earned.

SSA's policy does not specifically instruct staff to verify the accuracy of beneficiaries' PIAs after it removes earnings. However, by not verifying PIA amounts when inaccurate earnings are removed, SSA may continue to make improper payments.<sup>31</sup> Based on SSA's administrative finality rules, staff can generally correct inaccurate PIAs up to 4 years after the PIA increases were made.<sup>32</sup> If SSA does not adjust beneficiaries' PIAs and benefit payments within those 4 years, per administrative finality, it must continue paying the beneficiaries the higher benefit.

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<sup>29</sup> SSA reported to us the beneficiary was a victim of identity theft and alleged other individuals were using his SSN for work in various states in which he did not reside.

<sup>30</sup> SSA, *POMS*, NL 00703.317 (April 9, 2015) displays a notice of recomputation of benefit amounts SSA sends to beneficiaries.

<sup>31</sup> For the six beneficiaries we reviewed, SSA's Automatic Earnings Reappraisal Operation system detected PIA changes for these beneficiaries and routed the cases for SSA staff's review. However, SSA had not adjusted the beneficiaries' PIAs and benefits at the time of our review even though in five of the cases, earnings were removed from the beneficiaries' earnings records in 2017 or earlier.

<sup>32</sup> SSA, *POMS*, GN 04010.001, A (September 9, 2011) and SSA, *POMS*, GN 04020.001 (January 26, 1999). A PIA increase is an initial determination made by SSA. Based on its administrative finality rules, SSA can correct an initial determination within 4 years of the date of the notice of the initial determination for good cause such as clerical error, but SSA's regulations restrict when employees can reopen and revise initial determinations after 4 years.

## **Non-payment of Disability Benefits Based on Inaccurate Earnings**

Disability Insurance beneficiaries may have their disability benefits withheld because of excess earnings.<sup>33</sup> SSA determined three of the beneficiaries we reviewed were ineligible to receive disability benefits for some or all months based on inaccurate earnings posted to their earnings records. SSA had not detected two beneficiaries' earnings were inaccurate and, as a result, improperly withheld the beneficiaries' disability benefits. SSA removed some earnings after the third beneficiary reported the earnings did not belong to him and reversed its decision to withhold the disability benefits. Although SSA reversed its decision to withhold disability benefits, it failed to adjust the PIAs that were increased because of the inaccurate earnings. Because the inaccurate PIAs led to higher disability benefit payments, the beneficiary continues receiving higher disability benefit payments than he should.

## **CONCLUSIONS**

The earnings records that led to increased benefit payments to beneficiaries with representative payees were mostly accurate. However, 25 beneficiaries<sup>34</sup> we reviewed with representative payees and 1 or more questionable characteristics had earnings posted to their earnings records we determined did not belong to them.

## **RECOMMENDATIONS**

We recommend SSA:

1. Develop the records of the 25 beneficiaries and, as applicable, correct inaccurate earnings records and/or PIAs and initiate collection on any related improper payments.
2. Establish a process to review the accuracy of earnings records and PIA increases of beneficiaries likely to have inaccurate earnings posted to their records after their entitlement to OASDI. SSA should apply criteria such as, but not limited to, the criteria we used in our review and revise its criteria based on the results of its reviews to continuously improve the effectiveness of the process.
3. Implement controls to prevent automatic processing of PIA increases for beneficiaries with a history of inaccurate earnings postings.

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<sup>33</sup> SSA, *POMS*, DI 13010.160, A (February 22, 2016). SSA may suspend some beneficiaries' benefits for months where the beneficiaries' earnings indicated the beneficiary engaged in substantial gainful activity.

<sup>34</sup> We concluded that 25 beneficiaries had inaccurate earnings and/or PIAs through our review of beneficiaries from each of the eight characteristics groups. One beneficiary with inaccurate earnings was included in two of the samples we selected.

4. Revise notices sent to beneficiaries and their representative payees informing them of benefit increases due to additional earnings to include the employer(s) name, earnings amounts, a reminder to report errors to SSA, and instructions on reporting errors.
5. Update policy to ensure staff verify the accuracy of PIAs and benefit entitlement decisions after removing inaccurate earnings from beneficiaries' records.

## 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 objectives, we:

- Reviewed the applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) Program Operations Manual System.
- From 1 of 20 segments of SSA's Master Beneficiary Record, we obtained data for 64,527 beneficiaries with a representative payee. For these beneficiaries, we also extracted data from the Master Earnings File. We identified a population of 2,683 beneficiaries who had a Primary Insurance Amount (PIA) increase based on earnings posted to their earnings record for any year in Calendar Years 2015 through 2017 after they had a representative payee initially established for them and had not been terminated for death.<sup>1</sup>
- From the 2,683 beneficiaries, we identified 604 with 1 or more of 8 characteristics we believed would call into question the accuracy of the earnings posted. For each characteristic we identified, we selected a sample of 20 beneficiaries with that characteristic to review. Additionally, 50 beneficiaries were randomly selected from the 2,079 remaining beneficiaries with none of characteristics we identified. (Refer to Appendix B – Sampling Methodology and Results, for additional information on how we selected beneficiaries to review.)

To determine whether the earnings belonged to the beneficiaries, we took the following steps.

- Reviewed SSA's records to determine whether SSA had confirmed the accuracy of earnings posted to the beneficiaries' earnings records. If SSA determined the earnings did not belong to the beneficiaries, we accepted the Agency's determination.
- For beneficiaries for whom we did not find information in SSA's records that confirmed the accuracy of earnings posted on the beneficiaries' earnings records, we mailed up to three letters to the beneficiaries or their representative payees, which asked them to verify their earnings.<sup>2</sup>
- Contacted the beneficiaries or their representative payees to verify the earnings belonged to them. We determined the beneficiaries' earnings records were inaccurate if the representative payee or beneficiaries reported the earnings posted to the beneficiaries' earnings records did not belong to them.

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<sup>1</sup> We identified a population of 2,694 beneficiaries. However, we excluded 11 beneficiaries who were terminated for death after we had extracted data from the Master Beneficiary Record.

<sup>2</sup> Although we only selected beneficiaries with representative payees when we pulled our data file, some beneficiaries no longer had representative payees when we mailed the letters. For these beneficiaries, we mailed the letters directly to them.

- Determined the improper payments the beneficiaries received based on earnings that did not belong to them.

We determined the computer-processed data from the Master Beneficiary Record and Master Earnings File were sufficiently reliable for our intended purpose. We tested data to determine their completeness and accuracy. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted our audit work in the New York Audit Division, New York, between March and October 2019. 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 conduct 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.

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

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From 1 of 20 segments of the Social Security Administration’s (SSA) Master Beneficiary Record, we obtained data for 64,527 beneficiaries who had a representative payee. For these beneficiaries, we also extracted data from the Master Earnings File. We identified 2,683 beneficiaries whose Primary Insurance Amount (PIA) increased based on earnings posted to their earnings record for any year in Calendar Years 2015 through 2017, after they had a representative payee initially established for them, and had not been terminated for death.<sup>1</sup>

From the 2,683 beneficiaries, we identified 604 beneficiaries with 1 or more of 8 characteristics we believe would call into question the accuracy of the earnings posted.<sup>2</sup> These characteristics were as follows.

- Group 1: We identified 325 beneficiaries who had inconsistent historical earnings amounts and significant gaps in their earnings records.<sup>3</sup>
- Group 2: We identified 78 beneficiaries with earnings in 2015, 2016, or 2017 that resulted in PIA increases of 50 percent or more.
- Group 3: We identified 20 beneficiaries with the highest earnings amounts in 2015, 2016, or 2017.
- Group 4: We identified the 20 oldest beneficiaries.
- Group 5: We identified 136 beneficiaries who had 4 or more employers in 2015, 2016, or 2017.
- Group 6: We identified 91 beneficiaries who had 6 or more employers in total from 2015 through 2017.
- Group 7: We identified 37 beneficiaries who had earnings removed for more than 1 employer, for any year, because the earnings did not belong to them.
- Group 8: We identified 91 beneficiaries with self-employment income for 2015, 2016, or 2017 when no self-employment income was posted before or in the year the beneficiaries had a representative payee established for them.

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<sup>1</sup> Before we identified our population of 2,683 beneficiaries, we excluded beneficiaries who were already identified as part of the population of beneficiaries in our audit of *Institutionalized Beneficiaries Who Have Earnings*, A-02-17-50140 (August 2018).

<sup>2</sup> Of the 604 beneficiaries, 443 had 1 characteristic, 131 had 2 characteristics, 28 had 3 characteristics, 1 had 4 characteristics, and 1 had 5 characteristics.

<sup>3</sup> We considered beneficiaries to have inconsistent historical earnings amounts if recent years of earnings posted were high compared to historical earnings and did not appear to be due to a general trend upwards, there were large yearly variances in recent earnings amounts, or earnings appear in the middle of many years of \$0 earnings. We further evaluated these beneficiaries and only selected beneficiaries with three or more gaps of \$0 earnings or at least one gap of 6 years or more of \$0 earnings.

For each characteristic we identified, we selected a sample of 20 beneficiaries with that characteristic to review (see Table B–1).

**Table B–1: Selection of Questionable Characteristics**

Group Number	Number of Beneficiaries with this Characteristic	Number of Beneficiaries Sampled
1	325	20
2	78	20
3	20	20
4	20	20
5	136	20
6	91	20
7	37	20
8	91	20

Although we selected 160 beneficiaries in samples from the 8 groups, we reviewed 147 beneficiaries in total because 13 beneficiaries with more than 1 characteristic were selected from 2 different groups. Additionally, we reviewed a random sample of 50 beneficiaries from the remaining 2,079 beneficiaries who had none of the characteristics.

## Improper Payments

We did not find inaccurate earnings for the 50 randomly selected beneficiaries who had representative payees but none of the questionable characteristics we identified.<sup>4</sup> However, for each group of beneficiaries who had representative payees and characteristics we believe call into question the accuracy of their earnings, one or more of the beneficiaries had inaccurate earnings. In most cases, the inaccurate earnings records led to improper payments. See Table B–2.

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<sup>4</sup> For 49 of 50 beneficiaries with none of the characteristics we identified, their earnings were accurate. For the remaining beneficiary, we were unable to confirm the accuracy of her earnings. The beneficiary did not respond to our requests to verify her earnings.

**Table B–2: Beneficiaries with Representative Payees and Questionable Characteristics**

Characteristic	Number of Beneficiaries Sampled	Number of Beneficiaries Who Had Inaccurate Earnings <sup>5</sup>	Number of Beneficiaries Improperly Paid	Improper Payment Amount <sup>6</sup>
Beneficiaries with inconsistent historical earnings amounts or significant gaps in their earnings records	20	1	1	\$372
Beneficiaries with PIA increases of 50 percent or more	20	4	3	\$64,886
Beneficiaries with the highest earnings amounts	20	1	1	\$32,745
The oldest beneficiaries	20	4	3	\$442
Beneficiaries with four or more employers in 1 year	20	5	3	\$422
Beneficiaries with six or more employers from 2015 to 2017	20	4	3	\$13,346
Beneficiaries with earnings removed for more than one employer	20	3	3	\$7,299
Beneficiaries with self-employment income	20	4	3	\$7,493

In total, 25 beneficiaries with 26 sampled characteristics we reviewed had inaccurate earnings and/or PIAs in SSA's records.<sup>7</sup> For 19 of the 25 beneficiaries with 20 sampled characteristics, the inaccurate earnings led to the beneficiaries being improperly paid \$127,005.

We used a stratified approach to project the number of beneficiaries and funds for the samples in the eight groups. See Table B–3 for the projections and population estimates.

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<sup>5</sup> Beneficiaries who had inaccurate earnings were those who had inaccurate earnings on their earnings records at the time of our review and those whose inaccurate earnings were previously posted and later removed, but the beneficiaries' PIA increases were not adjusted after the inaccurate earnings were removed.

<sup>6</sup> The improper payments were calculated through July 2019.

<sup>7</sup> One beneficiary with inaccurate earnings that led to improper payments had multiple characteristics and was selected in the samples for both Groups 5 and 6.

**Table B–3: Improper Payments for Beneficiaries with Inaccurate Earnings Records**

Sample Group Number	Sampled Beneficiaries Who Were Improperly Paid	Sampled Improper Payment Amount	Projected Beneficiaries Who Were Improperly Paid	Projected Improper Payment Amount
1	1	\$372	16	\$6,045
2	3	\$64,886	12	\$253,055
3	1	\$32,745	1	\$32,745
4	3	\$442	3	\$442
5	3	\$422	20	\$2,870
6	3	\$13,346	14	\$60,724
7	3	\$7,299	6	\$13,503
8	3	\$7,493	14	\$34,093
<b>Point Estimate (for 1 segment)</b>	<b>20</b>	<b>\$127,005<sup>8</sup></b>	<b>85<sup>9</sup></b>	<b>\$403,478<sup>10</sup></b>
Upper Limit			49	\$173,570
Lower Limit			121	\$633,385
<b>Population Estimate (Point Estimate x 20 segments)</b>			<b>1,700</b>	<b>\$8,069,560</b>

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

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<sup>8</sup> Although one beneficiary with improper payments was selected in two samples, we only counted the beneficiary once (as part of Group 6) when determining the sampled improper payment amount.

<sup>9</sup> Our projections acknowledged that one beneficiary with an improper payment was selected in two samples. Therefore, the point estimate is one less than the sum of projected beneficiaries for the eight groups.

<sup>10</sup> The projected amount for the point estimate is \$1 more than the sum of the projected amounts for the eight groups because of rounding.

Additionally, should SSA not correct the earnings records for the beneficiaries with improper payments, 16 of the beneficiaries, represented by 17 sampled characteristics, will be improperly paid an additional \$44,972 over the next 12 months.<sup>11</sup> See Table B–4 for the projections and population estimates.

**Table B–4: Improper Payments over the Next 12 Months**

Sample Group Number	Sampled Beneficiaries Who Were Improperly Paid	Sampled Improper Payment Amount	Projected Beneficiaries Who Were Improperly Paid	Projected Improper Payment Amount
1	1	\$144	16	\$2,340
2	3	\$24,228	12	\$94,489
3	1	\$13,032	1	\$13,032
4	2	\$120	2	\$120
5	2	\$288	14	\$1,958
6	2	\$3,312	9	\$15,070
7	3	\$1,968	6	\$3,641
8	3	\$1,880	14	\$8,554
<b>Point Estimate (for 1 segment)</b>	<b>17</b>	<b>\$44,972<sup>12</sup></b>	<b>73<sup>13</sup></b>	<b>\$139,204</b>
Upper Limit			39	\$55,984
Lower Limit			107	\$222,424
<b>Population Estimate (Point Estimate x 20 segments)</b>			<b>1,460</b>	<b>\$2,784,080</b>

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

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<sup>11</sup> The additional \$44,972 in improper payments in the next 12 months will occur for 16 of the 19 beneficiaries. The 12-month projection was determined to be August 2019 through July 2020, except for beneficiaries whose benefits were anticipated to end sooner. For these beneficiaries, we calculated the future projections based on the anticipated benefit end date. In 3 of the 19 cases, the beneficiaries would not be paid additional improper payments in the next year. Specifically, in two cases, there is an unprocessed PIA increase based on 2018 earnings that, once processed, would increase the benefits effective January 2019 to an amount that is higher than what the beneficiaries were receiving, thus resulting in no additional improper payments after December 2018. In the third case, the beneficiary would not receive additional improper payments in the next year because the beneficiary's own retirement and widow's benefits had been adjusted.

<sup>12</sup> Although one beneficiary with improper payments was selected as two samples, we only counted the beneficiary once (as part of Group 6) when determining the sampled improper payment amount.

<sup>13</sup> Our projections acknowledged that one beneficiary with an improper payment was selected in two samples. Therefore, the point estimate is one less than the sum of projected beneficiaries for the eight groups.

## Future Improper Payments

In addition to the improper payments already made, SSA had not yet processed PIA increases based on inaccurate earnings in eight beneficiaries' records at the time of our review.<sup>14</sup> Unless SSA removes the inaccurate earnings, the Agency will eventually increase their benefits based on the inaccurate earnings. We estimate that—unless SSA removes the inaccurate earnings—the Agency will improperly pay these beneficiaries \$4,602 in additional benefits for 2019 that they are not entitled to receive.<sup>15</sup>

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<sup>14</sup> For six of the eight cases, SSA processed some of the PIA increases but has not processed others. For the two additional cases, SSA did not process any of the PIA increases yet.

<sup>15</sup> All eight beneficiaries had inaccurate earnings for 2018, which would cause a PIA increase effective January 2019. We calculate improper payments from January through December 2019.

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

Office of the Commissioner

#### **MEMORANDUM**

Date: February 25, 2020 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, "Beneficiaries with Representative Payees' and Earnings" (A-02-17-50143) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations. We will complete additional development to confirm whether the earnings reviewed in this audit are associated with the correct individuals. In addition, we will review and make necessary adjustments in our policies and procedures to ensure that we correctly post earnings, and appropriately compute the primary insurance amounts.

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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