

Audit Report

Supplemental Security Income
Recipients Eligible for Retirement
Benefits



MEMORANDUM

Date: December 13, 2018 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Supplemental Security Income Recipients Eligible for Retirement Benefits (A-09-16-50130)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration had adequate controls to ensure it properly awarded retirement benefits to individuals who were receiving Supplemental Security Income payments.

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

A handwritten signature in black ink that reads "Gale Stallworth Stone".

Gale Stallworth Stone

Attachment

Supplemental Security Income Recipients Eligible for Retirement Benefits

A-09-16-50130



December 2018

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it properly awarded retirement benefits to individuals who were receiving Supplemental Security Income (SSI) payments.

Background

SSI is intended to be a program of last resort for aged, blind, or disabled individuals who meet certain income and resource limits for eligibility. Therefore, SSI recipients are required to file for other benefit programs that reduce SSI payments, such as Old-Age, Survivors and Disability Insurance (OASDI). OASDI benefits are the greatest source of other program benefits.

An application under the SSI program is also an open application for benefits under the OASDI program. When an individual initially applies for SSI payments, SSA employees must take steps to determine whether the individual could be entitled to OASDI benefits. In addition, SSA employees must assess potential retirement eligibility while they re-evaluate recipients' eligibility to SSI payments. If an SSI recipient could be eligible for OASDI retirement benefits, SSA must notify him/her in writing of the requirement to file for those benefits. Failure to file for retirement benefits has a direct effect on SSI eligibility and payment.

Findings

SSA needs to improve its controls to ensure it properly awards retirement benefits to individuals who receive SSI payments. We found that SSA did not always award retirement benefits to SSI recipients who became eligible after they attained age 62. This occurred because SSA did not notify the recipients when they became eligible for retirement benefits. Based on our random sample, we estimate SSA neither awarded approximately \$54.3 million in retirement benefits nor reduced SSI payments by approximately \$49.5 million, as required. After offsetting the OASDI and SSI program funds, we estimate the resulting underpayments to 3,465 SSI recipients totaled approximately \$4.8 million.

Recommendations

We recommend SSA:

1. Determine the feasibility of addressing the remaining 7,971 SSI recipients identified by our audit who may be eligible for retirement benefits.
2. Remind employees to follow Agency policy and inform SSI recipients when they become eligible for retirement benefits.

SSA agreed with our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
KZ	Insured Status Diary
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
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) had adequate controls to ensure it properly awarded retirement benefits to individuals who were receiving Supplemental Security Income (SSI) payments.

BACKGROUND

SSI is intended to be a program of last resort for aged, blind, or disabled individuals who meet certain income and resource limits for eligibility. Therefore, SSI recipients are required to file for other benefit programs that reduce SSI payments, such as Old-Age, Survivors and Disability Insurance (OASDI).¹ OASDI benefits are the greatest source of other program benefits.²

An application for SSI payments is also an open application for OASDI benefits. When an individual initially applies for SSI, SSA employees must take steps to determine whether the individual could be entitled to OASDI benefits.³ In addition, SSA employees must assess potential entitlement to OASDI while they re-evaluate recipients' eligibility to SSI payments when conducting SSI redeterminations and limited issue reviews.⁴ SSI recipients must apply for, and pursue potential entitlement to, OASDI retirement or disability benefits based on their own earnings record and spousal or widow(er) benefits based on another individual's record.⁵

If an SSI recipient could be eligible for OASDI retirement benefits, SSA must notify the recipient in writing about his/her eligibility and the requirement to file for benefits.⁶ Failure to file for retirement benefits has a direct effect on SSI eligibility and payment. If a recipient does not file for benefits or files but does not pursue that benefit, SSI eligibility ends with the month he/she received written notice to file for retirement benefits. The SSI recipient must elect the earliest month to which he/she is entitled to begin receiving benefits and protectively filed⁷ to

¹ *Social Security Act*, 42 U.S.C. § 1382a (govinfo.gov 2017); SSA, *POMS*, SI 00510.001 (March 22, 2016) and SI 00510.005, B.1 (December 13, 2017).

² SSA, *POMS*, SI 00510.005, B.1 (December 13, 2017).

³ SSA, *POMS*, GN 00204.027, A.1 (August 31, 2017) and SI 00510.005, B.1 (December 13, 2017).

⁴ SSA periodically redetermines the recipients' non-medical eligibility factors (that is, income, resources, and living arrangement) to determine whether they continue to be eligible for, and receiving, the correct SSI payment. SSA, *POMS*, SI 00510.005, B.1 (December 13, 2017), SI 02305.001 (August 29, 2014), and SI 02309.010 (February 22, 2018).

⁵ SSA, *POMS*, SI 00510.005, B.1 (December 13, 2017), SI 00510.021 (January 4, 2008), SI 02305.110, H (August 20, 2012), and GN 00204.027 (July 23, 2012).

⁶ 20 C.F.R. § 416.210(c) (govinfo.gov 2018) and SSA, *POMS*, SI 00510.001, B.1 (March 22, 2016) and SI 00510.021 (January 4, 2008).

⁷ SSA, *POMS*, GN 00204.015 (October 20, 2016) and GN 00204.010, A.1 (February 22, 2018). A protective filing is a written statement of intent to file for Title II, VII, or XVI benefits. SSA, *POMS*, GN 00204.007, A.1 (August 9, 2018). The application filing date is the earlier of the date SSA received an application or the protective filing date.

begin receiving benefits. Election of a later month of entitlement to qualify for higher ongoing benefits is cause to deny or suspend SSI eligibility.⁸

We focused on individuals who were eligible for retirement benefits—not individuals who were eligible for disability, spousal, widow(er), or childhood benefits. We identified 14,438 SSI recipients over age 62 who were in current pay status and fully insured for retirement benefits but were not receiving retirement benefits as of June 2017.⁹ From this population, we selected a random sample of 50 recipients for review (see Appendix A).

RESULTS OF REVIEW

SSA needs to improve its controls to ensure it properly awards retirement benefits to individuals who are receiving SSI payments. We found that SSA did not always award retirement benefits to SSI recipients who became eligible after they attained age 62. Based on our random sample, we estimate SSA neither awarded approximately \$54.3 million in retirement benefits nor reduced SSI payments by approximately \$49.5 million, as required. After offsetting the OASDI and SSI program funds,¹⁰ we estimate the resulting underpayments to 3,465 SSI recipients totaled approximately \$4.8 million. Further, if SSA does not take corrective action, we estimate it will not award approximately \$13 million in OASDI benefits nor reduce SSI payments by approximately \$13.6 million over the next 12 months. After offsetting the OASDI and SSI program funds, we estimate the resulting overpayments to 2,599 recipients will be approximately \$575,210 (see Appendix B). This occurred because SSA did not notify the recipients when they became eligible for retirement benefits.

Policies and Procedures for SSI Recipients Who May Be Eligible for Retirement Benefits

A recipient must be insured, be age 62 throughout the month, and have applied for benefits to be entitled to retirement benefits.¹¹ To identify SSI recipients who may qualify for retirement benefits, SSA systems generate an Insured Status (KZ) diary¹² for recipients who were age 61 years and 9 months or older. The KZ diary is established for SSI recipients who are in current

⁸ SSA, *POMS*, SI 00510.001, D (March 22, 2016).

⁹ In October 2018, 7,971 of these SSI recipients were not receiving retirement benefits based on their own earnings records.

¹⁰ SSA, *POMS*, GN 02610.005 (April 25, 2012). The windfall offset provision prevents an individual from receiving monthly OASDI and SSI payments in excess of the total amount beneficiaries will be paid if the OASDI benefits are disbursed when they are due rather than retroactively. When beneficiaries are entitled to both OASDI and SSI for the same months, SSA must reduce any retroactive OASDI benefits that may have been payable by any SSI payments that should not have been paid because of the OASDI entitlement.

¹¹ *Social Security Act*, 42 U.S.C. § 402(a) (govinfo.gov 2017).

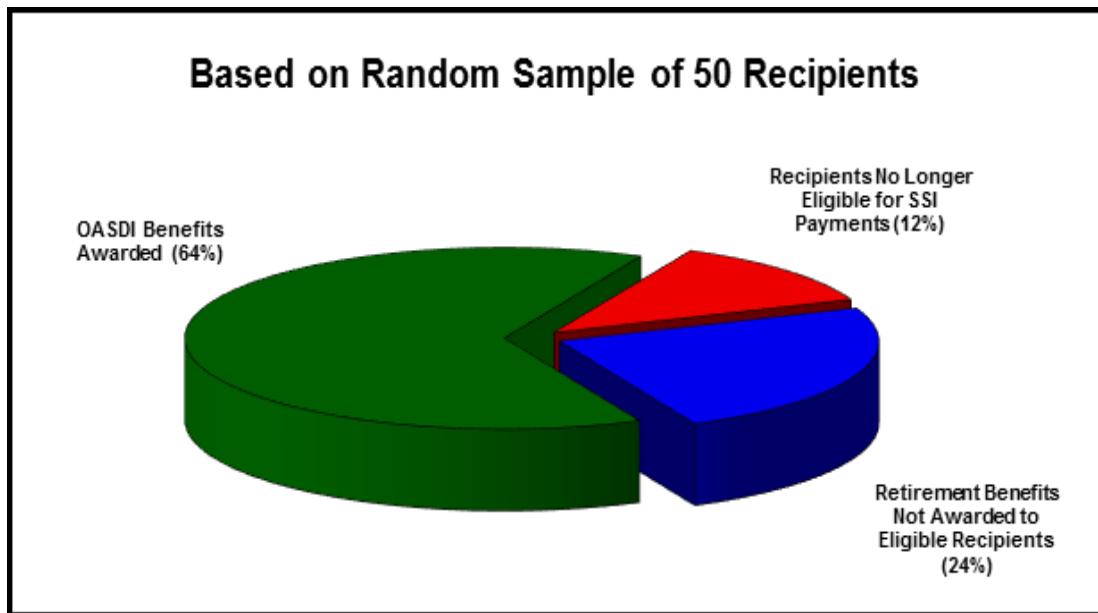
¹² SSA, *POMS* SI 02309.010 (February 22, 2018). The KZ diary also identifies eligible recipients who may qualify for OASDI disability benefits.

pay, have earned and been credited with the required quarters of coverage needed to be considered fully insured for retirement benefits, and are not receiving those benefits. When SSA systems generate a KZ diary for an SSI recipient, SSA employees must notify the recipient, take an application for retirement benefits unless an exception applies, review the recipient's Supplemental Security Record and certified earnings record, and determine whether the recipient is eligible for retirement benefits.¹³ If the recipient is eligible and does not file an application for the retirement benefit or files but does not pursue that benefit, SSI eligibility stops with the month the recipient received a written notice to file for the retirement benefit.¹⁴

SSI Recipients Eligible for Retirement Benefits

Of the 50 recipients in our sample, SSA should have awarded retirement benefits to 12 (24 percent) who were fully insured and had attained age 62. For 32 recipients, SSA awarded OASDI—25 for widow(er) benefits, 5 for retirement benefits, and 2 for disability benefits. The remaining six recipients were not required to file for retirement benefits because they were no longer receiving SSI payments. Figure 1 summarizes the results of our review.

Figure 1: SSI Recipients Eligible for Retirement Benefits



¹³ SSA, *POMS*, SI 02309.010, A, B, and D (February 22, 2018).

¹⁴ SSA, *POMS*, SI 00510.001, B.6 (March 22, 2016).

SSA's KZ diaries did not always ensure SSA employees informed SSI recipients when they became eligible for retirement benefits. SSA did not award retirement benefits to 12 recipients in our sample who were required to file for retirement benefits to retain their SSI payments. KZ diaries were generated for 10 of the 12 recipients. However, we found no evidence that SSA attempted to notify them of their eligibility for retirement benefits and the requirement to file for those benefits. Finally, we did not find pending KZ diaries for the remaining two recipients.

The 12 recipients had been eligible for retirement benefits for an average of 37 months and a range from 23 to 75 months.¹⁵ Had SSA notified the recipients and they filed for retirement benefits, as required, SSA would have awarded \$188,182 in retirement benefits and reduced \$171,402 in SSI payments to the recipients. As a result, the financial impact to the 12 recipients was \$16,780 in retirement benefits.

For example, a recipient began receiving SSI in February 2015 and attained age 62 in June 2015. According to SSA records, the recipient was insured for retirement benefits when he attained age 62 and, consequently, was eligible for retirement benefits in July 2015. SSA's systems generated a KZ diary for this recipient in October 2017. However, SSA did not notify him of the requirement to file for retirement benefits. As a result, SSA did not award \$18,227 in retirement benefits nor reduce his SSI payment by \$16,491. As a result, the financial impact to the recipient was \$1,736 in retirement benefits. In January 2018, we provided SSA this information for review. As of May 2018, SSA had notified the recipient to file for retirement benefits and properly awarded the recipient retirement benefits.

In January 2018, we provided the 12 recipients' information to SSA for review. As of September 2018, SSA had awarded retirement benefits to nine recipients and terminated SSI payments to three recipients because they were deceased.

CONCLUSIONS

SSA needs to improve its controls to ensure it properly awards retirement benefits to individuals who are receiving SSI payments. We found that SSA did not always award retirement benefits to SSI recipients who became eligible after they attained age 62. Based on our random sample, we estimate SSA neither awarded approximately \$54.3 million in retirement benefits nor reduced SSI payments by approximately \$49.5 million, as required. After offsetting the OASDI and SSI program funds, we estimate the resulting underpayments to 3,465 SSI recipients totaled approximately \$4.8 million. Further, if SSA does not take corrective action, we estimate it will not award approximately \$13 million in OASDI benefits nor reduce SSI payments by approximately \$13.6 million over the next 12 months. After offsetting the OASDI and SSI program funds, we estimated the resulting overpayments would be approximately \$575,210 (see Appendix B).

¹⁵ These results were calculated as of March 2018.

RECOMMENDATIONS

We recommend SSA:

1. Determine the feasibility of addressing the remaining 7,971 SSI recipients identified by our audit who may be eligible for retirement benefits.
2. Remind employees to follow Agency policy and inform SSI recipients when they become eligible for retirement benefits.

AGENCY COMMENTS

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

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

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

From the Social Security Administration’s (SSA) Supplemental Security Record (SSR) and Master Earnings File, we obtained a data extract of Supplemental Security Income (SSI) recipients in current pay status who were over age 62 and had 40 or more quarters of coverage.¹ We also obtained these individuals’ payment status from the Master Beneficiary Record (MBR). Using this information, we identified 14,438 SSI recipients in current pay status who were over age 62, had 40 or more quarters of coverage, and were not receiving retirement benefits based on their own earnings record as of June 2017.² From this population, we selected a random sample of 50 recipients for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, the Code of Federal Regulations, and SSA’s Program Operations Manual System;
- interviewed SSA employees from the Office of Operations;
- reviewed a random sample of 50 recipients from our population of 14,438 SSI recipients;
- reviewed queries from SSA’s SSR, MBR, and Online Retrieval System;
- determined whether the SSI recipients were eligible for retirement benefits; and
- calculated the amount of retirement benefits and SSI payments the recipients should have received.

We determined whether the computer-processed data from the SSR, MBR, and Master Earnings File 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 conducted audit work in Richmond, California, and Baltimore, Maryland, between January and June 2018. The entities reviewed were the Offices of the Deputy Commissioners for Operations and Systems.

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

¹ 42 U.S.C. § 414(a) (govinfo.gov 2018) and SSA, *POMS*, RS 00301.101.A.1 (August 9, 2011). A quarter of coverage is the amount of earnings required during a given 3-month period to be credited towards eligibility for Old-Age, Survivors and Disability Insurance benefits. To be eligible for retirement benefits, an individual must have earned, at a minimum, 40 quarters of coverage.

² As of October 2018, 7,971 of these SSI recipients were still not receiving retirement benefits based on their own earnings records.

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

From the Social Security Administration’s (SSA) Supplemental Security Record and Master Earnings File, we obtained a data extract of Supplemental Security Income (SSI) recipients in current pay status who were over age 62 and had 40 or more quarters of coverage. We also obtained these individuals’ payment status from the Master Beneficiary Record. Using this information, we identified 14,438 recipients in current pay status who were over age 62, had 40 or more quarters of coverage, and were not receiving retirement benefits based on their own earnings record as of June 2017.¹ From this population, we selected a random sample of 50 recipients for review.

Of the 50 recipients in our sample, SSA did not award retirement benefits to 12 recipients, as required. This occurred because SSA did not notify them of their eligibility for retirement benefits and the requirement to file for benefits. We determined that SSA neither awarded \$188,182 in retirement benefits nor reduced SSI payments by \$171,402 to these 12 recipients, as required. Projecting our sample results to the population of 14,438 SSI recipients, we estimate SSA neither awarded approximately \$54.3 million in retirement benefits nor reduced SSI payments by approximately \$49.5 million. After offsetting the Old-Age, Survivors and Disability Insurance (OASDI) and SSI program funds, we estimate the resulting underpayments to 3,465 SSI recipients totaled approximately \$4.8 million. Further, if SSA does not take corrective action, we estimate it will not award approximately \$13 million in OASDI benefits nor reduce SSI payments by approximately \$13.6 million over the next 12 months. After offsetting the OASDI and SSI program funds, we estimate the resulting overpayments to the 2,559 recipients will be approximately \$575,210.²

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

Table B–1: Population and Sample Size

Description	SSI Recipients
Population Size	14,438
Sample Size	50

¹ As of October 2018, 7,971 of these SSI recipients were still not receiving retirement benefits based on their own earnings record.

² Of the 12 SSI recipients in our sample, SSA terminated 3 for death and they were excluded from the 12-month estimate.

Table B-2: OASDI Benefits Not Awarded

Description	SSI Recipients	Payments
Sample Results	12	\$188,182
Point Estimate	3,465	\$54,339,434
Projection - Lower Limit	2,092	\$28,233,770
Projection - Upper Limit	5,189	\$80,445,009

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

Table B-3: SSI Payments Incorrectly Issued

Description	SSI Recipients	Payments
Sample Results	12	\$171,402
Point Estimate	3,465	\$49,493,955
Projection - Lower Limit	2,092	\$25,358,682
Projection - Upper Limit	5,189	\$73,629,228

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

Table B-4: Financial Impact

Description	Payments
OASDI Benefits Not Awarded	\$54,339,434
SSI Payments Incorrectly Issued	\$49,493,955
Financial Impact	\$4,845,479

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

Table B-5: Future OASDI Benefits Not Awarded

Description	SSI Recipients	Payments
Sample Results	9	\$45,192
Point Estimate	2,599	\$13,049,642
Projection - Lower Limit	1,406	\$5,867,924
Projection - Upper Limit	4,228	\$20,231,360

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

Table B-6: Future SSI Payments Incorrectly Issued

Description	SSI Recipients	Payments
Sample Results	9	\$47,184
Point Estimate	2,599	\$13,624,852
Projection - Lower Limit	1,406	\$5,941,714
Projection - Upper Limit	4,228	\$21,307,990

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

Table B-7: Future Financial Impact

Description	Payments
Future OASDI Benefits Not Awarded	\$13,049,642
Future SSI Payments Incorrectly Issued	\$13,624,852
Future Financial Impact	\$575,210

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: November 7, 2018 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall /s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Supplemental Security Income Recipients Eligible for Retirement Insurance Benefits." (A-09-16-50130) -- 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 Trae Sommer at (410) 965-9102.

Attachment

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, “SUPPLEMENTAL SECURITY INCOME RECIPIENTS ELIGIBLE FOR RETIREMENT BENEFITS” (A-09-16-50130)

GENERAL COMMENTS

As good stewards of the programs entrusted to us, we are committed to paying individuals the correct amount, which includes paying all benefits due at the earliest point possible. Through semi-annual automated alerts, our system notifies technicians when Supplemental Security Income (SSI) recipients may qualify for Social Security retirement benefits. We address these high priority alerts through our redetermination reviews, limited issue workloads, and other post-eligibility contacts.

Our responses to the recommendations are below.

Recommendation 1

Determine the feasibility of addressing the remaining 7,971 SSI recipients identified by our audit who may be eligible for retirement benefits.

Response

We agree.

Recommendation 2

Remind employees to follow Agency policy and inform SSI recipients when they become eligible for retirement benefits.

Response

We agree.

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