

*Audit Report*

The Social Security Administration's  
Manual Award Process for Initial  
Retirement and Survivors Insurance  
Claims

*A-08-16-50053 / September 2017*



## MEMORANDUM

**Date:** September 5, 2017

**Refer To:**

**To:** The Commissioner

**From:** Acting Inspector General

**Subject:** The Social Security Administration's Manual Award Process for Initial Retirement and Survivors Insurance Claims (A-08-16-50053)

The attached final report presents the results of the Office of Audit's review. The objective was to assess the Social Security Administration's manual award process for initial Retirement and Survivors Insurance claims.

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

# The Social Security Administration's Manual Award Process for Initial Retirement and Survivors Insurance Claims

## A-08-16-50053



September 2017

Office of Audit Report Summary

### Objective

To assess the Social Security Administration's (SSA) manual award process for initial Retirement and Survivors Insurance (RSI) claims.

### Background

SSA technicians use the Modernized Claims System (MCS) to enter claims data for RSI applications. SSA advises technicians to process claims through the automated Earnings Computation (EC) system whenever possible. EC computes benefits, sends notices to the claimant, certifies payments to the Department of the Treasury, and creates the Master Beneficiary Record. Other advantages of adjudicating claims through EC include online edits and faster processing.

When a systems limitation prevents technicians from adjudicating claims through EC, they use a manual award process. Field office technicians document their benefit determinations on automated 101 screens. Then, technicians in program service centers complete the manual award through the Manual Adjustment, Credit, and Award Process.

We identified 390,835 initial RSI manual awards processed in Fiscal Year (FY) 2015. We selected a random sample of 250 cases from this population for review. For each case, we determined the systems limitation that prevented EC adjudication and the accuracy of the initial payment.

### Findings

SSA did not accurately process about 20 percent of initial RSI manual awards in FY 2015. We estimated that SSA improperly paid beneficiaries more than \$44 million. We also estimated that uncorrected manual award errors resulted in about \$10 million in additional improper payments the following 12 months. We determined 2 percent of our sampled claims contained errors in both MCS applications and manual awards, resulting in over \$59,000 in improper payments. However, because we could not separate the dollar impact of the manual award from the MCS application errors, we did not include these cases in our improper manual award payment computations.

Manual awards had other adverse effects on SSA's claims processing. For example, it took SSA technicians, on average, 35 days longer to process manual awards than EC awards. Further, we estimated SSA spent over \$44 million in additional administrative expenses to process manual awards.

Given the errors and other adverse effects on claims processing, SSA should take steps to reduce the number of manual awards. This is important given the number and percent of manually processed RSI initial claims increased annually from FYs 2011 through 2016.

### Recommendations

We recommend SSA:

1. Determine the feasibility of enhancing SSA systems to reduce common EC limitations.
2. Revise policy language to instruct technicians to separate cases involving multiple claimants and resolve systems limitations so they can process claims through EC whenever possible. In doing so, SSA should also advise technicians to verify EC benefit computations and process claims with a manual award if EC would incorrectly pay the beneficiary.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

BIC	Beneficiary Identification Code
EC	Earnings Computation
FY	Fiscal Year
MBR	Master Beneficiary Record
MCS	Modernized Claims System
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RSI	Retirement and Survivors Insurance
SSA	Social Security Administration
SSN	Social Security Number
U.S.C.	United States Code

## OBJECTIVE

Our objective was to assess the Social Security Administration's (SSA) manual award process for initial Retirement and Survivors Insurance (RSI) claims.

## BACKGROUND

SSA field office technicians use the Modernized Claims System (MCS) to enter claims data for RSI applications. Technicians award most claims for benefits through MCS Earnings Computation (EC) screens. EC determines benefits, sends notices to claimants, certifies payments to the Department of the Treasury, and creates the Master Beneficiary Record. Other advantages of awarding the claims through EC include online edits and faster processing.

When a processing limitation<sup>1</sup> prevents SSA technicians from adjudicating claims through EC, they must use the manual award process. Field office technicians document their determinations on automated 101 screens in MCS.<sup>2</sup> Then, program service center employees use the Manual Adjustment, Credit, and Award Process to trigger the payments recorded on the automated 101 screens. SSA could not provide us with reports or statistics related to manual award accuracy. However, SSA acknowledged automated 101 screens and the Manual Adjustment, Credit, and Award Process are more labor-intensive and error-prone than EC. Accordingly, SSA advises technicians to process claims through the automated EC system whenever possible.<sup>3</sup>

We obtained a population of 390,835 initial RSI manual awards completed in Fiscal Year (FY) 2015. Of those, we reviewed a random sample of 250 cases containing 297 beneficiary identification codes (BIC).<sup>4</sup> For each sampled case, we determined the systems limitation that prevented EC adjudication and the accuracy of the initial payment. If the payment amount was incorrect, we also determined the reason for the inaccuracy and whether the Agency corrected the case. In addition, we obtained data from SSA regarding the number of manual awards as well as processing times and administrative costs associated with the manual award process. See Appendix A for the scope and methodology of this review.

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<sup>1</sup> A processing limitation prevents MCS from starting an earnings computation or completing EC adjudication. For purposes of this review, we use the terms “processing limitation” and “systems limitation” interchangeably.

<sup>2</sup> If technicians cannot process an award through EC or an automated 101 screen, they document their determinations on an Electronic Form 101. We did not include Electronic Forms 101 in the scope of our review.

<sup>3</sup> SSA, *POMS, GN-General*, ch. GN 01010, subch. GN 01010.205, sec. A (April 5, 2012).

<sup>4</sup> SSA uses the BIC to identify the type of beneficiary and payment. A single payment record can have multiple individuals entitled to benefits who are identified by specific BICs. For example, the primary BIC on a record is the wage earner, and other BICs on the record could be the wage earner’s spouse and/or children.

## **RESULTS OF REVIEW**

Based on our sample review, we determined SSA did not accurately process about 20 percent of initial RSI manual awards in FY 2015. As such, we estimated that SSA improperly paid beneficiaries more than \$44 million. We also estimated that uncorrected manual award errors resulted in about \$10 million in additional improper payments the following 12 months. We determined 2 percent of our sampled claims contained errors in both MCS applications and manual awards, resulting in over \$59,000 in improper payments. However, because we could not separate the dollar impact of the manual award from the MCS application errors, we did not include these cases in our improper manual award payment computations.

Manual awards had other adverse effects on SSA's claims processing. For example, it took SSA technicians, on average, 35 days longer to process manual awards than EC awards. Further, we estimated SSA spent over \$44 million in additional administrative expenses to process manual awards. Given the errors and other adverse effects on claims processing, SSA should take steps to reduce the number of manual awards. This is important given the number and percent of manually processed RSI initial claims increased annually from FYs 2011 through 2016.

### **Manual Award Payment Errors**

SSA did not accurately process 50 (20 percent) of the 250 sampled initial RSI manual awards in FY 2015. Accordingly, we estimated that manual award errors resulted in more than \$44 million in improper initial payments to beneficiaries. These are conservative figures because we did not include cases with both manual award and MCS application errors in our projections. We also did not include manual award errors that did not affect the initial payment. The majority of the incorrect awards involved beneficiary underpayments. Some of the manual award errors, such as lump-sum death benefit awards, resulted in only one incorrect payment. However, as shown in Table 1, over half the errors involved ongoing primary insurance amounts<sup>5</sup> and monthly benefits. See Appendix A for a description of how we evaluated the sampled claims.

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<sup>5</sup> SSA calculates the primary insurance amount using the numberholder's lifetime earnings, number of years worked, and highest annual earnings. The primary insurance amount is the basis for payments to all beneficiaries on the numberholder's record.

**Table 1: Description of Manual Award Errors**

Error Description	Number of Errors	Percent of Errors
Primary Insurance Amount	19	34.5
Monthly Benefit Amount	13	23.6
Lump-sum Death Benefit	7	12.7
Medicare Withholding	5	9.1
Overpayment Recovery	4	7.3
Underpayment Due	3	5.5
Suspension Month(s)	3	5.5
Invalid Entitlement	1	1.8
<b>Totals</b>	<b>55</b>	<b>100</b>

**Source:** OIG Analysis of Sampled Claims.

**Note:** Some of the claims in our sample had multiple errors – 50 of the sampled claims contained 55 separate manual award errors.

As shown in Table 2, SSA had not corrected half of the 50 manual award error cases we reviewed. While SSA corrected some of the manual award cases within a few days or weeks, it did not correct about 25 percent of the cases for longer than 3 months.<sup>6</sup> In fact, it took SSA longer than 2 years to correct one manual award error. We also estimated that manual award error cases SSA had not corrected caused about \$10 million in additional improper payments the following year.<sup>7</sup> Without corrective action, these improper payments could continue throughout the beneficiary's lifetime. See Appendix B for our computation methodology.

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<sup>6</sup> We calculated how long it took SSA to correct an error using the number of days between the date SSA processed the claim and the date it posted an overpayment to the record or released an underpayment to the beneficiary.

<sup>7</sup> We calculated the improper payments starting with the day *after* the award going forward the next 12 months. Therefore, some of the \$10 million in improper payments occurred in FY 2015 and some occurred in FY 2016.

**Table 2: SSA's Correction of Manual Award Error Cases**

Number of Days to Correct Benefits	Number of Claims Corrected	Percent of Overall Error Cases
1 to -30	5	10
31 to 60	2	4
61 to 90	6	12
91 to 180	4	8
181 to 365	7	14
More than 365	1	2
Not Corrected	25	50
<b>Totals</b>	<b>50</b>	<b>100</b>

**Source:** OIG Analysis of Sampled Claims.

### *Manual Award and MCS Application Errors*

We identified five claims that contained errors in the MCS application and manual award. Because of these errors, SSA improperly paid beneficiaries over \$59,000 on the initial awards. The improper payments ranged from \$481 to \$45,907. For example, SSA underpaid one individual almost \$4,000 because the technician entered the wrong month of entitlement on the MCS application and incorrectly computed the monthly benefits on the manual award. However, we could not separate the dollar impact of the manual award errors from the MCS application errors. Accordingly, we did not include these cases in our improper manual award payment computations.

### **Claims Processing**

According to SSA, technicians spent, on average, 35 days longer to process manual awards than EC awards. The additional processing time resulted in delayed notification to the claimants regarding their benefit amounts. In addition, increased processing time for manual awards delayed the claimant's Medicare enrollment if the claim involved an application for Medicare. Depending on the claimant's month of entitlement, the additional processing time may have also resulted in late payments.

We identified several cases where the additional processing time associated with manual awards adversely affected customer service. According to SSA, these claims typically required development and communication among program service center staff, field office staff, and claimants, which contributed to the extended processing time. In fact, SSA took 245 days to

process one manual award.<sup>8</sup> The following examples illustrate the impact delayed processing had on customer service.

- SSA took 136 days to process an individual's retirement application. When SSA processed the manual award, it owed the individual more than \$34,000 in benefits.
- SSA took 130 days to process a child's application and reduce the payments to the existing beneficiary on the Social Security record. SSA overpaid the existing beneficiary an additional 5 months (\$1,635) after it received the child's application.
- SSA took 62 days to process a retirement application and activate an individual's Medicare coverage. The individual was entitled to Medicare effective November 1, 2014, but SSA did not activate the coverage until December 24, 2014. When SSA processed the manual award, it also owed the beneficiary more than \$6,000 in benefits.

### *Administrative Costs*

We estimated that SSA spent over \$44 million in additional administrative expenses to process manual awards. Although SSA did not track administrative costs related to manual awards, it estimated that technicians spent an additional 2.45 hours to process manual awards than EC awards. We used SSA's estimated administrative costs per work hour (\$42.80) and the number of individual manual awards (425,854) to estimate additional annual administrative costs.<sup>9</sup> However, we did not consider the time SSA technicians spent correcting payment errors made in manual awards when we estimated administrative costs. As such, the true cost of processing RSI manual awards was likely higher than we estimated.

### **Reducing Manual Awards**

Although SSA attempted to reduce the number of manual awards, the number and percentage of initial RSI claims processed through the manual award system increased each year from FYs 2011 through 2016, as shown in Table 3.<sup>10</sup> In FY 2016, SSA processed 10 percent of all initial RSI claims through the manual award system. Further, the manual award workload increased three times faster than the overall initial RSI claims workload.<sup>11</sup>

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<sup>8</sup> We counted the processing time using the number of days between the date SSA received the application and the date it completed the award.

<sup>9</sup> Appendix A provides more detail on our computations.

<sup>10</sup> Table 3 includes all BICs processed on a manual award in each FY. However, some awards contained multiple BICs. For example, one manual award may trigger payments for four children who had different BICs.

<sup>11</sup> Initial RSI awards increased 19 percent from FYs 2011 through 2016. Manual awards increased 58 percent (58 percent divided by 19 percent equals 3). Accordingly, the manual award workload increased three times faster than the overall RSI initial claims workload.

**Table 3: Number of Initial RSI BICs Processed Via Manual Award**

FY	Total BICs Processed	Total Manual Awards	Percent of BICs Processed via Manual Award
2011	3,947,067	297,680	7.5
2012	4,118,453	315,131	7.7
2013	4,139,911	339,280	8.2
2014	4,165,677	365,177	8.8
2015	4,427,048	430,430	9.7
2016	4,700,461	469,005	10.0

Source: SSA's Office of Public Service and Operations Support.

### *Systems Enhancements*

While SSA monitored a monthly MCS processing limitation report, it did not capture all the systems limitations that prevented EC adjudication.<sup>12</sup> In fact, 24 percent of our sampled cases did not contain electronic system limitation messages. However, we determined the majority of the systems limitations that prevented EC adjudication of initial RSI claims involved Medicare or dual entitlement. Other common systems limitations involved over/underpayments on existing records, prior periods of disability, and independently entitled divorced spouse claims. See Appendix C for more information about the number and types of systems limitations we identified in our sampled claims.

Although SSA had not approved systems enhancements to reduce the number of manual awards, it planned to review common limitations as part of a Processing Center Automation Initiative Project. SSA stated that a large number of MCS processing limitations generate from various utility programs outside MCS and incorrect existing data on established records. SSA believed reducing the number of manual awards would reduce backlogs at the processing centers. However, SSA told us it might not be able to reduce the frequency of any systems limitations without updating and modernizing the MCS database. Accordingly, SSA plans to review MCS, as well as other programs that interface with MCS, as part of its Information Technology Modernization initiative. While we acknowledge budget constraints, we encourage SSA to determine the feasibility of enhancing its systems to reduce the number of manual awards.

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<sup>12</sup> SSA indicated that its monthly processing limitation report did not accurately capture all the systems limitations that prevented EC adjudication. For example, if a technician attempted to adjudicate a case through EC several times, the processing limitation message will appear on the report each time the technician ran the EC. In addition, SSA stated that manual review is the only way to determine the systems limitation associated with some cases.

## *Policy Revisions*

While SSA policy states that technicians should adjudicate claims through MCS EC whenever possible,<sup>13</sup> it does not instruct technicians to separate adjudication of BICs on a claim that will process through EC from those that will not. While technicians must process some BICs together to prevent overpayments,<sup>14</sup> they can process other BICs faster and more accurately through EC without adverse effects on other claimants. Accordingly, some BICs in our sample would have correctly cleared EC had the technician adjudicated them separately from other BICs on the claim. For example, a systems limitation prevented EC adjudication of a surviving spouse's claim. However, SSA could have processed a lump-sum death claim separately through EC. Instead, the technician adjudicated both claims with a manual award. When the program service center processed the manual award, it did not release the lump-sum death benefit that EC would have correctly paid. At the time of our review, SSA had not paid the claimant the \$255 lump-sum death payment.

In addition, while SSA maintained a guide to help technicians resolve EC limitations, it did not instruct technicians to make systems inputs to resolve EC limitations. We identified claims where the technician could have resolved the EC limitations and avoided a manual award by correcting MCS screens or existing SSA records. For example, a systems limitation prevented EC adjudication of a retirement claim because the name on the claim was different than the name on SSA's records. SSA could have corrected the name on the prior record and adjudicated the claim through EC the next day. Instead, SSA processed the claim with a manual award. While SSA correctly paid the beneficiary, it took approximately 2.5 hours longer to clear the claim through the manual award process than through EC. Correcting the existing record and adjudicating the claim through EC would have been a more efficient use of SSA resources. Based on our case reviews, we determined SSA can reduce the number of BICs processed on manual awards by instructing technicians to separate cases involving multiple claimants and resolve systems limitations so they can process claims through EC whenever possible. In doing so, SSA should also advise technicians to verify EC benefit computations and process claims with a manual award if EC would incorrectly pay the beneficiary.

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<sup>13</sup> SSA, *POMS, GN-General*, ch. GN 01010, subch. GN 01010.205, sec. A (April 5, 2012).

<sup>14</sup> SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 00615, subch. RS 00615.730, sec. 1 (September 16, 2002); and SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 00615, subch. RS 00615.754, sec. 1 (May 23, 2006). The *Social Security Act*, 42 U.S.C. § 403 (2015) limits the monthly benefits payable on a record. If the monthly benefits exceed the family maximum, SSA must reduce the amount of each claimant (other than the numberholder) proportionately.

## **CONCLUSIONS AND RECOMMENDATIONS**

We determined manual awards impeded the Agency's ability to process initial RSI claims accurately and timely. Further, SSA could use the administrative resources required for the manual award process to address other workloads. As such, SSA should take steps to reduce the number of manual awards. If SSA does not take additional actions to reduce manual awards, the number will increase as retirement applications increase. While we acknowledge SSA's budget constraints, we believe SSA should take steps to enhance its systems and revise policy language to minimize the number of manual awards.

Accordingly, we recommend that SSA:

1. Determine the feasibility of enhancing SSA systems to reduce common EC limitations.
2. Revise policy language to instruct technicians to separate cases involving multiple claimants and resolve systems limitations so they can process claims through EC whenever possible. In doing so, SSA should also advise technicians to verify EC benefit computations and process claims with a manual award if EC would incorrectly pay the beneficiary.

## **AGENCY COMMENTS**

SSA agreed with our recommendations. The full text of SSA's comments is included in Appendix D.

## **OTHER MATTER**

We identified 12 (4.8 percent) of 250 claims<sup>15</sup> that contained errors exclusively in the MCS application.<sup>16</sup> MCS application errors, such as incorrect month of entitlement or marriage information, involve inaccurate data SSA technicians input on the MCS claims screens. These types of errors cause improper payments even if technicians were able to adjudicate claims

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<sup>15</sup> We provided the 12 claims with MCS application errors to SSA for correction.

<sup>16</sup> We identified 17 claims that contained errors in the MCS application. However, as shown in the Manual Award and MCS Application Errors section, five claims contained both a manual award and an MCS application error.

through EC. In addition, these types of errors may result in a significant dollar amount of improper payments. As such, we plan to conduct a separate review on MCS applications.

A handwritten signature in black ink that reads "Rona Lawson".

Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

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

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To accomplish our objective, we:

- Reviewed the applicable sections of the *Social Security Act*, Code of Federal Regulations, and Social Security Administration's (SSA) Program Operations Manual System.
- Reviewed previous Office of the Inspector General and SSA reports related to manual award processing.
- Obtained and reviewed data from SSA regarding the number of manual awards as well as processing times and administrative costs associated with the manual award process.
- Obtained a population of 390,835 manual awards for initial Retirement and Survivors Insurance claims processed in Fiscal Year (FY) 2015. From this population, we randomly selected a sample of 250 manual awards for review.
- For each of the sampled cases, we determined the systems limitation (if any) that prevented automated adjudication and the accuracy of the first payment issued after the award.
- For the cases with payment errors, we determined the date SSA corrected the payments (if applicable), whether the error occurred in the Modernized Claims System application or manual award process, and why the payment was incorrect.
- For select cases, we also determined how long SSA took to process the award, whether the claim would have correctly processed through automated Earnings Computation (EC) screens, and the additional improper payments SSA made in the 12-month period following the award.
- When calculating the accuracy of the initial payment, we
  - evaluated all claimants on the manual award as well as existing beneficiaries affected by the manual award;
  - determined the net payment due after deductions for Medicare, overpayments, voluntary tax withholding, and excess earnings; and
  - did not consider Medicare refunds from prior entitlements or deductions for Supplemental Security Income payments that would not have been due had SSA paid the benefits when due.
- To evaluate the sampled cases, we used the Master Beneficiary Record, Payment History Update System, Supplemental Security Record, Online Retrieval System, Informational/Certified Earnings Records System, Interactive Computation Facility, Claims File Records Management System, Modernized Claims System Direct Application Development Screens, Summary Earnings Query, Detail Earnings Query, and the Western Program Service Center Rate Computations Web page.

- To estimate the administrative costs associated with manual award processing, we:
  - Obtained information from SSA indicating it takes technicians an average 2.45 additional hours to process a manual award compared to an EC award. SSA clarified this was an estimate for all claim types regardless of the number of claimants processed on the award.
  - Obtained estimated administrative costs of \$42.80 per hour from SSA.
  - Estimated 425,854 individual manual awards in FY 2016 using our population of 390,835 individual manual awards processed in FY 2015 and applied the percentage increase in claimants processed on manual awards between FYs 2015 and 2016 in Table 3 (430,430 to 469,005 = 8.96-percent increase). We estimated the number of individual manual awards for FY 2016 because the data were not readily available.
  - Multiplied the additional 2.45-hour processing time by \$42.80 hourly administrative costs by 425,854 individual manual awards to derive \$44,655,050 additional administrative costs associated with manual awards.

Our review of internal controls was limited to gaining an understanding of SSA's process for reviewing the accuracy of manual awards. We determined whether the computer-processed data from SSA's Title II Workload Management Information database were sufficiently reliable for our intended use. We tested the data to determine their completeness and accuracy. Based on these tests, we determined the data to be sufficiently reliable to meet our objective.

We conducted our review in Birmingham, Alabama, between January and May 2017. The principal entity reviewed was the Office of Public Service and Operations Support under the Office of the Deputy Commissioner for Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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We obtained a data extract from the Social Security Administration’s (SSA) Title II Workload Management Information database. We identified 659,508 records with an Automated 101 Indicator processed in Fiscal Year 2015. We excluded claims at the appeals level, paid outside the Retirement and Survivors Insurance Trust fund, or not processed on a manual award. We grouped all claimants processed on a single award together to obtain a population of 390,835 individual manual awards. As shown in Table B–1, we randomly selected 250 manual awards from this population to determine whether the initial payments were correct.

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

Description	Number of Recipients
Population Size	390,835
Sample Size	250

### **Manual Award Payment Errors**

In a random sample of 250 manual awards, we determined 50 (20 percent) contained manual award errors that resulted in improper payments. As such, SSA improperly paid \$28,529 on the 50 initial awards. As shown in Table B–2, we estimate that SSA improperly paid over \$44 million on 78,167 manual awards.

**Table B–2: Manual Award Errors**

Description	Number of Manual Awards	Improper Payments
Sample Results	50	\$28,529
Point Estimate	78,167	\$44,600,339
Projection – Lower Limit	62,233	\$18,908,399
Projection – Upper Limit	96,215	\$70,292,279

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

As noted in Table 2, SSA had not corrected 25 (50 percent) of the 50 claims that contained manual award errors. For these 25 cases, we calculated the difference between the payments SSA made to the claimants and the payments the claimant would have been due in the 12 months following the initial award. We estimate that \$6,319 in additional improper payments would have occurred. Accordingly, we estimate that uncorrected manual award errors resulting in improper payments totaling approximately \$9,879,371 would have occurred for the entire 390,835 population in the year following the initial award.

## **Manual Award and Modernized Claims System Payment Errors**

In a random sample of 250 manual awards, we determined 5 (2 percent) contained errors in the manual award and Modernized Claims System application. The actual dollar amount of the improper payments in the initial awards for these cases totaled \$59,450. The improper payments ranged from \$481 to \$45,907. However, since there was such a small number of errors with a wide range of improper payments, the results were not statistically valid for projections.

## **Appendix C – EARNINGS COMPUTATION LIMITATION MESSAGES IN SAMPLED CLAIMS**

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Table C–1 shows the Social Security Administration’s (SSA) Earnings Computation (EC) system limitation message along with the number of times the message appeared in the 250 sampled claims. Some claims had multiple messages. Therefore, there were 306 system limitation occurrences in the 250 sampled claims. We identified 47 individual systems limitations that prevented EC adjudication of our sampled claims. However, 18 of the systems limitations only occurred once, leaving 29 systems limitations that occurred multiple times.

We did not include three sampled claims in Table C–1 because they did not contain any EC systems limitations. In two of these claims, the SSA technician improperly overrode EC’s correct determination by processing a manual award. In the third case, the technician followed policy and used a manual award to release an underpayment instead of adjudicating the claim through EC.

**Table C–1: SSA EC System Limitation Messages in Sampled Claims**

<b>SSA EC System Limitation Message</b>	<b>Number of Occurrences</b>	<b>Percent of Total Occurrences</b>
Modernized Claims System (MCS) Cannot Process Beneficiary Identification Code (BIC) *L in Ledger Account File U on Social Security Number (SSN) *L	80	26.1
Possible Dual Entitlement Claim for SSN - *L	30	9.8
Possible Dual Entitlement Claim for Child *L ON *L	22	7.2
Onset for Prior Period of Disability Insurance Benefit is Earlier Than Date First Insured - Resolve Discrepancy	14	4.6
Over/Underpayment Data on Master Beneficiary Record (MBR) For BIC *L	14	4.6
BIC *L Benefit Adjustment Needed on *L	13	4.2
MBR Needed for Subsequent Claim	12	3.9
Processing Limitation-Precluded History Reason for Deduction on Numberholder MBR	12	3.9
Possible Dual Entitlement Claim for *L on SSN *L.	11	3.6
Check MBR BIC *L on SSN *L – Beneficiary’s Own Account Number (BOAN) on MBR Matches BOAN on Pending Claim - BIC Not Entered on MBR BIC Matching	9	2.9
Benefit Rate Computation - Unable to Complete Processing	8	2.5
BIC *L - Dual Entitlement Case *L Also Involved	8	2.5
Unprocessable Third SSN on Existing MBR for Dual Entitlement	8	2.5
MCS Unable to Process with BIC *L in Ledger Account File U on MBR	7	2.3

SSA EC System Limitation Message	Number of Occurrences	Percent of Total Occurrences
BIC *L Processing Limitation - Claimant Already on MBR as BIC A in Ledger Account File U	4	1.3
Processing Limitation-No BIC A or TA on MBR for Subsequent Claim	4	1.3
See Dual Entitlement Inconsistent Data Screen for Dual Entitlement Inconsistent Data Exceptions	4	1.3
BIC *L Processing Limitation - Claimant Already on MBR with Open Disability Insurance Benefit	3	1.0
Entitlement Conversion Unable to Process over MBR Ledger Account File *L	3	1.0
Exception: Spouse Gender Equals MBR Numberholder Gender	3	1.0
Partial Recovery Data Present on SSN *L for Dual Entitlement Claimant	3	1.0
BIC *L Processing Limitation – Supplementary Medical Insurance Filing on Current Request is Earlier Than Supplementary Medical Insurance Filing on MBR	2	0.7
Check BIC *L – Child on Dependent Child in Care is Not on the Current Segment. Please Update Dependent Child in Care and Re-trigger Claim	2	0.7
Check BIC *L - Invalid Month of Election of *L Before Numberholder Month of Election of *L	2	0.7
Incorrect Processing Center on Decision Input - Processing Center Should Be *L	2	0.7
Non-Processable BIC *L or Non-Processable Ledger Account File on Existing MBR for Survivor or Lump Sum Death Payment Claim	2	0.7
Numberholder Benefit Adjustment Needed	2	0.7
Open or Overlapping Event Data on T2SHARED May Affect Current Claim - Action to Add or Update Child in Care on XC VIA Screen Input Necessary	2	0.7
SSN *L Supplemental Security Income Recipient No Windfall Offset on Benefit Continuity Factors	2	0.7
Miscellaneous Single Occurrence Systems Limitations	18	5.9
<b>Totals</b>	<b>306</b>	<b>100</b>

**Note:** “\*L” denotes that the system limitation message has a fill in, such as an SSN.

## **Appendix D – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

**Date:** August 25, 2017 **Refer To:** S1J-3

**To:** Gale S. Stone  
Acting Inspector General

**From:** Frank Cristaudo for  
Stephanie Hall  
Acting Deputy Chief of Staff

**Subject:** Office of the Inspector General Draft Report, “The Social Security Administration’s Manual Award Process for Initial Retirement and Survivors Insurance Claims” (A-08-16-50053)--  
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,  
“THE SOCIAL SECURITY ADMINISTRATION’S MANUAL AWARD PROCESS FOR  
INITIAL RETIREMENT AND SURVIVORS INSURANCE CLAIMS” (A-08-16-50053)**

**General Comments**

A major focus of our Information Technology Modernization Plan is the initial claims processing system. In addition to changing the systems architecture, we know it is critical to transform both technical and business processes to achieve improvements to serve our customers better. Modernization of the initial claims processing system will address processing limitations, which cause the Modernized Claims System (MCS) to reject the automated processing of awards through the Earnings Computation (EC) system. We are also launching a Payment Center Automation project that will identify ways to reduce existing MCS processing limitations.

**Recommendation 1**

Determine the feasibility of enhancing SSA systems to reduce common EC limitations.

**Response**

We agree.

**Recommendation 2**

Revise policy language to instruct technicians to separate cases involving multiple claimants and resolve systems limitations so they can process claims through EC whenever possible. In doing so, SSA should also advise technicians to verify EC benefit computations and process claims with a manual award if EC would incorrectly pay the beneficiary.

**Response**

We agree.

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