

Audit Report

Dually Entitled Beneficiaries Who
Are Subject to the Windfall
Elimination Provision and
Government Pension Offset

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: January 31, 2013 **Refer To:**
To: The Commissioner
From: Inspector General
Subject: Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset (A-09-12-11210)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration had adequate controls to ensure it properly imposed the Windfall Elimination Provision and Government Pension Offset for dually entitled beneficiaries.

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



Patrick P. O'Carroll, Jr.

Attachment

Summary of Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset

A-09-12-11210

January 2013



Office of Audit

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it properly imposed the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for dually entitled beneficiaries.

Background

The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security. WEP uses a modified benefit formula to eliminate “windfall” from a wage earner’s monthly Social Security retirement benefit. GPO reduces monthly Social Security benefits for spouses, divorced spouses, and widows who receive a pension based on their employment for a Federal, State, or local government not covered by Social Security.

Our Findings

SSA needs to improve its controls to ensure it properly imposes WEP and GPO for dually entitled beneficiaries. We estimate that SSA

- overpaid \$19.2 million in retirement benefits to 2,046 beneficiaries because WEP was not properly applied,
- overpaid \$14.6 million in spousal benefits to 1,662 beneficiaries because GPO was not properly imposed, and
- will overpay \$12.7 million annually to 3,708 beneficiaries unless it takes action to identify and correct these payment errors.

We also estimate that 3,961 beneficiaries were exempt from WEP and 3,148 were exempt from GPO, but SSA employees did not record the exemption reason on the Master Beneficiary Record, as required.

Finally, SSA did not take action to impose WEP and GPO on a population of beneficiaries identified in our prior audit. Consequently, we estimate that SSA overpaid these beneficiaries an additional \$181.6 million.

Our Recommendations

We recommend that SSA:

1. Establish overpayments or record a WEP or GPO exemption for the 104 beneficiaries identified by our audit.
2. Determine whether there is a cost-effective method to identify and correct the population of overpaid dually entitled beneficiaries in current pay whose benefits should be reduced for WEP or GPO.
3. Identify and, if appropriate, implement controls to prevent and resolve pension discrepancies recorded on the Master Beneficiary Records of dually entitled beneficiaries.
4. Remind employees to review both the WEP and GPO provisions when they receive pension information for dually entitled beneficiaries.

SSA agreed with all our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
WEP Payment Errors	3
Pension Information on the Spousal MBR	4
WEP Exemptions Not Recorded on the MBR	4
GPO Payment Errors.....	4
Pension Information on the Retirement MBR	6
GPO Exemptions Not Recorded on the MBR	6
SSA Actions in Response to Our Prior Audit.....	6
Conclusion and Recommendations.....	7
Agency Comments.....	8
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments.....	C-1
Appendix D – Major Contributors.....	D-1

ABBREVIATIONS

GPO	Government Pension Offset
ICD	Integrated Client Data
MBR	Master Beneficiary Record
MSOM	Modernized Systems Operations Manual
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
WEP	Windfall Elimination Provision

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it properly imposed the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for dually entitled beneficiaries.

BACKGROUND

The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security.¹ WEP eliminates “windfall” Social Security benefits for retired and disabled beneficiaries receiving pensions from employment not covered by Social Security. Under this provision, a modified benefit formula is required to determine a wage earner’s monthly Social Security retirement benefit.² GPO reduces monthly Social Security benefits for spouses, divorced spouses, and widows who receive a pension based on their employment for a Federal, State, or local government not covered by Social Security.³

The GPO reduction is generally equal to two-thirds of the government pension.⁴ Beneficiaries who are eligible for both retirement benefits based on their own work history and spousal benefits based on their spouse’s work history are known as dually entitled. Beneficiaries who are dually entitled to both retirement and spousal benefits can be subject to both WEP and GPO.

To identify beneficiaries who may be subject to WEP and GPO, SSA primarily relies on applicants to report entitlement to current or future pensions from employment not covered by Social Security. However, for retired Federal employees, SSA receives monthly pension notifications from the Office of Personnel Management.⁵

In a 2008 audit,⁶ we reported that SSA needed to improve controls to ensure it properly imposed WEP and GPO for dually entitled beneficiaries. We estimated that SSA overpaid

¹ *Social Security Act* § 215(a)(7)(A), (d)(3), and (f)(9); 42 U.S.C. § 415(a)(7)(A),(d)(3) and (f)(9); and 20 C.F.R. §§ 404.213 and 404.243.

² *Social Security Act* § 215(a)(7)(B); 42 U.S.C. § 415(a)(7)(B); 20 C.F.R. § 404.213(c) and (d); and SSA, POMS, RS 00605.360 (February 11, 2009).

³ *Social Security Act* § 202(k)(5); 42 U.S.C. § 402(k)(5); and 20 C.F.R. § 404.408a.

⁴ *Social Security Act* § 202(k)(5), 42 U.S.C. § 402(k)(5); 20 C.F.R. § 404.408a(d); SSA, POMS, GN 02608.100 (September 12, 2012).

⁵ SSA, POMS, GN 02608.301 (May 13, 1996) and RS 00605.374 (May 6, 1999).

⁶ SSA OIG, *Dually Entitled Beneficiaries who are Subject to Government Pension Offset and the Windfall Elimination Provision* (A-09-07-27010), September 10, 2008.

8,500 beneficiaries \$269.8 million because it did not properly apply WEP. We also estimated that SSA overpaid 8,460 beneficiaries \$184.8 million because it did not properly impose GPO. Finally, we estimated that unless SSA took appropriate action for these populations of beneficiaries, it would pay about \$53.2 million, annually, in WEP and GPO overpayments.

For our current audit, we identified 8,705 dually entitled beneficiaries with GPO imposed on their spousal benefit and no WEP on their retirement⁷ benefit. We also identified 5,830 dually entitled beneficiaries with WEP imposed on their retirement benefit and no GPO on their spousal benefit. All these beneficiaries became entitled to benefits or started receiving a pension after our 2008 audit. From these populations, we selected 2 random samples of 200 beneficiaries for review.

RESULTS OF REVIEW

SSA needs to improve its controls to ensure it properly imposes WEP and GPO for dually entitled beneficiaries. Based on our 2 random samples, we estimate that SSA

- overpaid \$19.2 million in retirement benefits to 2,046 beneficiaries because WEP was not properly applied,
- overpaid \$14.6 million in spousal benefits to 1,662 beneficiaries because GPO was not properly imposed, and
- will overpay \$12.7 million annually to 3,708 beneficiaries unless it takes action to identify and correct these payment errors.

We also estimate that 3,961 beneficiaries were exempt from WEP and 3,148 were exempt from GPO, but SSA employees did not record the exemption reason on the Master Beneficiary Record (MBR), as required.

We are 90-percent confident the number of beneficiaries

- overpaid because WEP was not properly applied ranged from 1,627 to 2,515, and the overpayments ranged from \$14.9 to \$23.5 million;
- overpaid because GPO was not properly imposed ranged from 1,362 to 1,989, and the overpayments ranged from \$10 to \$19.3 million;
- with WEP exemptions not recorded on the MBR ranged from 3,448 to 4,482; and
- with GPO exemptions not recorded on the MBR ranged from 2,801 to 3,490.

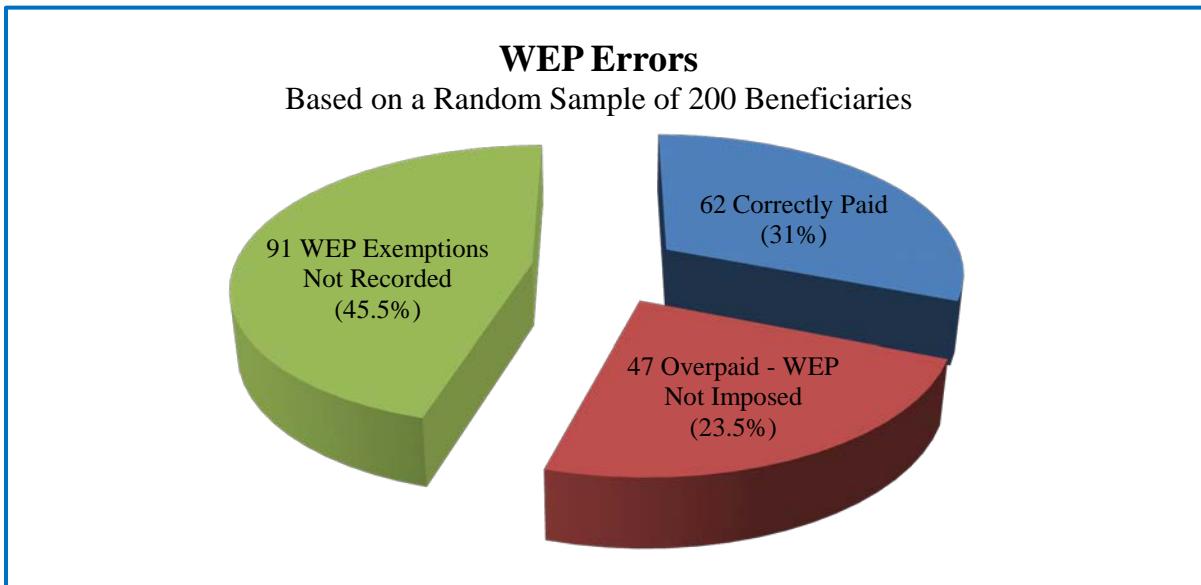
⁷ WEP applies to both retirement and disability benefits. However, we use the term “retirement” generically in this report to refer to both retirement and disability benefits.

Finally, SSA did not take corrective action for the population of overpaid beneficiaries identified in our 2008 audit. Since our prior audit, we estimate these beneficiaries were overpaid an additional \$181.6 million because SSA had not imposed WEP or GPO. These payment errors continued because SSA had not implemented controls to detect pension discrepancies recorded on the MBRs of dually entitled beneficiaries (see Appendix B).

WEP Payment Errors

Of the 200 beneficiaries in our sample who had GPO imposed on their spousal benefit and no WEP on their retirement benefit, SSA did not properly reduce the retirement benefits of 47 beneficiaries in accordance with WEP. As a result, SSA overpaid these 47 beneficiaries \$441,136. We also found that SSA did not document that a WEP exemption applied for 91 beneficiaries. For the remaining 62 beneficiaries, the WEP determination was correct and properly documented. The following chart summarizes the results of our review.

Figure 1: WEP Errors



Generally, if SSA imposes GPO on a spousal benefit, WEP will apply to the retirement benefits for dually entitled beneficiaries. However, under certain conditions, an exemption to WEP may apply. For example, WEP does not apply to beneficiaries who have at least 30 years of substantial Social Security earnings⁸ or if they were eligible for retirement benefits before 1986.⁹

⁸ Social Security Act § 215(a)(7)(D), 42 U.S.C. § 415(a)(7)(D); 20 C.F.R. § 404.213(e). For 2007, \$18,150 of covered wages was required to obtain a year of coverage. SSA, POMS, RS 00605.362 (February 17, 2011).

⁹ SSA, POMS, RS 00605.360.C.1 (February 11, 2009), SSA, MSOM, ICD 004.002 (June 27, 2002).

If WEP does not apply, SSA employees must record the exemption on the MBR.¹⁰ Additionally, employees should retain evidence to support the WEP determination, such as an award letter from the paying agency.¹¹

Pension Information on the Spousal MBR

For all 47 beneficiaries who should have had WEP imposed, SSA had obtained and recorded the pension information on their spousal MBRs. This consisted of 45 beneficiaries who had been receiving retirement benefits, but SSA did not become aware of the pension until they filed for spousal benefits, and 2 beneficiaries who did not provide the pension information until after they began receiving spousal benefits. While SSA properly reduced the spousal benefits according to the GPO provision, it did not impose WEP on the retirement benefit. Finally, we found that SSA did not prevent or detect these overpayments because it had not implemented controls to identify pension discrepancies recorded on retirement and spousal beneficiaries' MBRs.

For example, a beneficiary filed for both retirement and spousal benefits in June 2007. At that time, the beneficiary disclosed that since August 2001, she had been receiving a \$1,400 monthly pension based on employment not covered by Social Security. SSA imposed GPO on her spousal benefits but erroneously paid the full retirement benefit of \$506. However, SSA should have only paid the beneficiary a \$224 monthly retirement benefit. Consequently, SSA overpaid the beneficiary \$14,169 from June 2007 through August 2012.

WEP Exemptions Not Recorded on the MBR

We found that 91 beneficiaries were exempt from WEP. However, SSA employees did not record the exemption reason on the MBR, as required.¹² For example, a beneficiary was entitled to retirement benefits beginning in February 1999. He became entitled to spousal benefits in June 2008, which were reduced because of GPO. Since the beneficiary was eligible for his non-covered pension before 1985, he was exempt from WEP. However, SSA did not record the exemption on the MBR.

GPO Payment Errors

Of the 200 beneficiaries in our sample with WEP applied to their retirement benefit and no GPO on their spousal benefits, SSA did not impose GPO for 57 as required by the GPO provisions of the *Social Security Act*.¹³ As a result, SSA overpaid these 57 beneficiaries \$501,592. We also

¹⁰ SSA, POMS, RS 00605.374.B.1 (May 6, 1999).

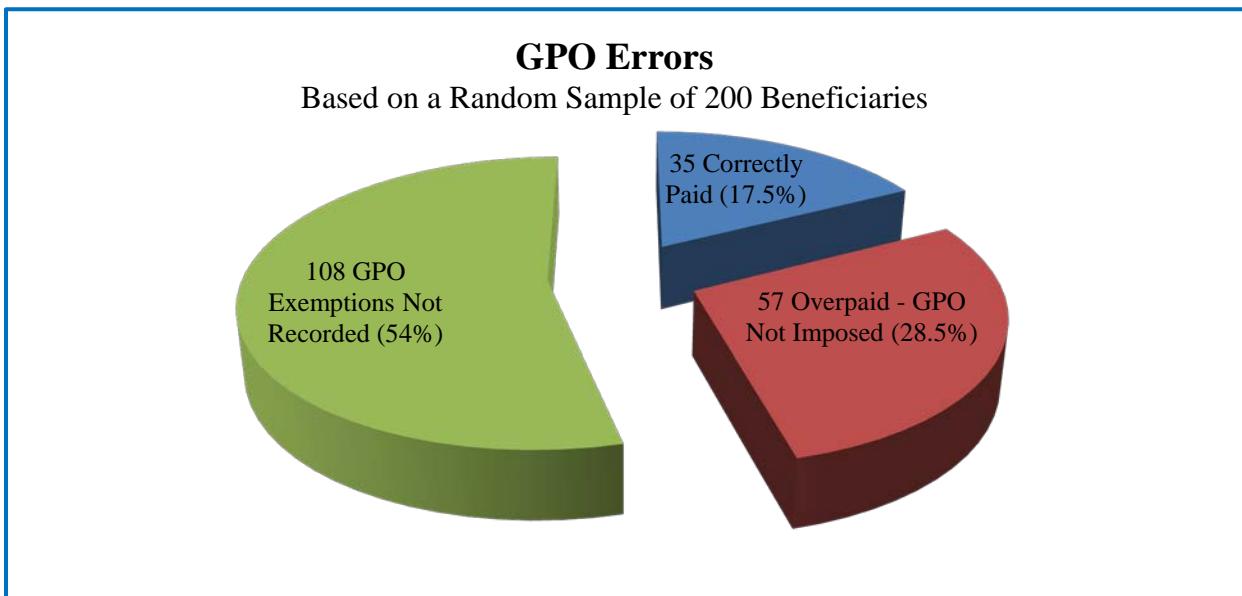
¹¹ SSA, POMS, GN 00301.285.C (July 22, 2010).

¹² SSA, POMS, RS 00605.374.A (May 6, 1999); SSA, MSOM, ICD 004.002 (June 27, 2002).

¹³ *Social Security Act* § 202(k)(5), 42 U.S.C. § 402(k)(5); 20 C.F.R. § 404.408a.

found that SSA did not document that a GPO exemption applied for 108 beneficiaries. For the remaining 35 beneficiaries the GPO determination was correct and properly documented. We summarize the results of our review below.

Figure 2: GPO Errors



Generally, if SSA applies WEP to a retirement benefit, GPO will be imposed on the spousal benefit. However, under certain conditions, an exemption to GPO may apply.¹⁴ For example, GPO does not apply if an individual worked the last 60 months under both Social Security and a Federal, State, or local government pension plan.¹⁵ Military reserve pensions are also exempt from the GPO provision.¹⁶ If GPO does not apply, SSA employees must record the reason for the exemption on the MBR.¹⁷ Finally, employees must retain documentation to support the exemption.¹⁸

¹⁴ *Social Security Act* § 202(k)(5), 42 U.S.C. § 402(k)(5); 20 C.F.R. § 404.408a(b); SSA, POMS, GN 02608.100.A (September 12, 2012).

¹⁵ *Social Security Act* § 202(k)(5)(A), 42 U.S.C. § 402(k)(5)(A); SSA, POMS, GN 02608.107 (August 11, 2010).

¹⁶ *Social Security Act* § 202(k)(5)(B)(i), 42 U.S.C. § 402(k)(5)(B)(i); SSA, POMS, GN 02608.700 (May 28, 1996).

¹⁷ SSA, POMS, GN 02608.200.A.4 (February 14, 2012).

¹⁸ SSA, POMS, GN 00301.285.C (July 22, 2010); SSA, POMS, GN 02608.103.D (January 13, 2011).

Pension Information on the Retirement MBR

For all 57 beneficiaries for whom GPO should have been imposed, we found that SSA had obtained and recorded the pension information on their retirement MBRs. This consisted of 46 beneficiaries who provided pension information when they applied for retirement benefits and 10 who reported the pension information when they filed an application for spousal benefits. SSA later received a pension notification from the remaining beneficiary's former employer. While SSA properly reduced the retirement benefits according to WEP, it did not impose GPO on the spousal benefits, and no GPO exemptions applied. Finally, we found that SSA had not prevented or detected these errors because it had not implemented controls to identify discrepancies in pension information on the MBRs of retirement and spousal records for dually entitled beneficiaries.

For example, a beneficiary filed for widower benefits in June 2009 but did not report he was receiving a pension. In August 2010, he became entitled to retirement benefits and stated he had been receiving a \$2,400 monthly pension since August 2000. SSA correctly imposed WEP for the retirement benefit but did not impose GPO and incorrectly paid him the \$792 full widower benefit. As a result, SSA overpaid the beneficiary \$33,407 from June 2009 through August 2012.

GPO Exemptions Not Recorded on the MBR

We found 108 beneficiaries were exempt from GPO. However, SSA employees did not record the reason for the exemption on the MBR, as required.¹⁹ For example, a beneficiary receiving a non-covered State pension worked the last 60 months under Social Security. As a result, the spousal benefits were exempt from GPO. SSA correctly granted the exemption but did not record it on the MBR.

SSA Actions in Response to Our Prior Audit

In our 2008 audit,²⁰ we reported that SSA needed to improve its controls to ensure it properly imposed WEP and GPO for dually entitled beneficiaries. Specifically, in our 2 random samples of 200 beneficiaries, we identified 11 who were overpaid because SSA did not impose GPO and 10 who were overpaid because SSA did not apply WEP. We provided these 21 cases to SSA for corrective action. SSA subsequently established overpayments totaling \$260,112 for nine beneficiaries, did not impose WEP or GPO for seven beneficiaries because "administrative

¹⁹ SSA, POMS, GN 02608.103.D (January 13, 2011); SSA, POMS, GN 02608.200.B.2 (February 14, 2012).

²⁰ SSA OIG, *Dually Entitled Beneficiaries who are Subject to Government Pension Offset and the Windfall Elimination Provision* (A-09-07-27010), September 10, 2008.

finality”²¹ applied and determined four beneficiaries were exempt from WEP or GPO. Finally, we found no evidence that SSA took action for the remaining one beneficiary.

Based on our 2008 sample results, we estimated that SSA overpaid 8,500 beneficiaries \$269.8 million because it did not properly apply WEP and overpaid 8,460 beneficiaries \$184.8 million because it did not properly impose GPO. Finally, we estimated that unless SSA took appropriate action for these populations of beneficiaries it would pay about \$53.2 million in WEP and GPO overpayments, annually. During our current audit, we found that SSA had not taken action for the population of beneficiaries identified in our 2008 audit. SSA generally agreed that corrective action was necessary; however, it stated that the best approach would be to establish a computer match between State/local pension information and SSA records. SSA also stated this match was not possible because of limited systems resources and the issuance of a reminder to employees would help improve controls.

Since SSA did not take corrective action for the population of overpaid beneficiaries identified in our prior audit, we estimate these beneficiaries have been overpaid an additional \$181.6 million in benefits because SSA had not imposed WEP and GPO (see Appendix B).

CONCLUSION AND RECOMMENDATIONS

SSA needs to improve its controls to ensure it properly imposes WEP and GPO for dually entitled beneficiaries. Our 2 random samples of 200 beneficiaries found 104 were overpaid because SSA did not impose WEP or GPO. As a result, we estimate SSA overpaid 2,046 beneficiaries \$19.2 million in retirement benefits because it did not apply WEP and overpaid 1,662 beneficiaries \$14.6 million in spousal benefits because it did not impose GPO. Unless SSA takes action to identify and correct these payment errors, we estimate it will pay approximately \$12.7 million, annually, in overpayments. Finally, since our 2008 audit, SSA has overpaid an additional \$181.6 million to the population of beneficiaries identified in our 2008 audit because it had not taken action to impose WEP and GPO as we previously recommended (see Appendix B).

We recommend that SSA:

1. Establish overpayments or record a WEP or GPO exemption for the 104 beneficiaries identified by our audit.
2. Determine whether there is a cost-effective method to identify and correct the population of overpaid dually entitled beneficiaries in current pay whose benefits should be reduced for WEP or GPO.

²¹ Generally, administrative finality prevents SSA from correcting payment errors if more than 4 years has passed since SSA’s initial decision to pay benefits and the imposition of WEP or GPO would be unfavorable to the beneficiary. SSA, POMS, GN 04030.090 (August 14, 2007) GN 04030.100 (August 14, 2007).

3. Identify and if appropriate, implement controls to prevent and resolve pension discrepancies recorded on the MBRs of dually entitled beneficiaries.
4. Remind employees to review both the WEP and GPO provisions when they receive pension information for dually entitled beneficiaries.

AGENCY COMMENTS

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

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

From the Social Security Administration's (SSA) Master Beneficiary Record (MBR), we obtained two data extracts. The data extract consisted of 8,705 dually entitled beneficiaries who had Government Pension Offset (GPO) data recorded on their spousal or surviving spousal benefit but no Windfall Elimination Provision (WEP) imposed on their retirement benefit. The second data extract consisted of 5,830 beneficiaries who had WEP data recorded on their retirement benefit but no GPO on their spousal benefit. From these populations, we selected 2 random samples of 200 beneficiaries for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, U.S. Code and Code of Federal Regulations as well as SSA's Program Operations Manual System;
- interviewed appropriate SSA staff regarding systems and controls;
- reviewed prior audit reports pertaining to WEP and GPO;
- obtained necessary files from the MBR, Detailed Earning Query, Payment History Update System, Modernized Claims System, and Modernized Development Worksheet; and
- reviewed SSA's paperless system, Shared Process System, and Non Disability Repository for Evidentiary Documents for supporting documentation.

We determined whether the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

We performed our work in Richmond, California, between February and August 2012. The entities reviewed were the Offices of 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 based on our audit objectives. 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

We obtained two data extracts from the Master Beneficiary Record (MBR). The data extracts consisted of dually entitled beneficiaries who had

1. Government Pension Offset (GPO) imposed on their spousal benefit but no Windfall Elimination Provision (WEP) imposed on their retirement benefit and
2. WEP imposed on their retirement benefit but no GPO on their spousal benefit.

GPO and No WEP

We refined this population to include only those beneficiaries who had an initial entitlement date for spousal benefits on April 2007 or later with GPO imposed and were entitled to a retirement benefit with no indication of WEP. This resulted in a population of 8,705 beneficiaries. From this population, we randomly selected a sample of 200 beneficiaries for review. For each beneficiary in our sample, we determined whether the Social Security Administration (SSA) properly applied WEP to the retirement benefits by reviewing information from the MBR, Master Earnings File, Modernized Claims System, and Modernized Development Worksheet. In addition, we reviewed SSA's Paperless System, Shared Process System, and Non-Disability Repository for Evidentiary Documents.

Of the 200 beneficiaries in our sample, SSA overpaid \$441,136 to 47 beneficiaries. This occurred because their retirement benefits should have been subject to WEP. Projecting these results to our population of 8,705 beneficiaries, we estimate that SSA overpaid about \$19.2 million to 2,046 beneficiaries. Additionally, we identified 91 beneficiaries who were exempt from WEP but did not have the exemption recorded on the MBR. Projecting these results to our population, we estimate that SSA did not record an exemption on the MBR for 3,961 beneficiaries.

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

Table B-1: Population and Sample Size

Description	Number
Population Size	8,705
Sample Size	200

Table B–2: WEP Payment Errors

Description	Number	Amount
Sample Results	47	\$441,136
Point Estimate	2,046	\$19,200,423
Projection - Lower Limit	1,627	\$14,858,673
Projection - Upper Limit	2,515	\$23,542,173

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

Table B–3: WEP Exemptions Not Recorded on MBR

Description	Number
Sample Results	91
Point Estimate	3,961
Projection - Lower Limit	3,448
Projection - Upper Limit	4,482

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

To estimate the annual amount of overpayments that would occur if SSA does not take action to identify and correct the WEP payment errors, we used our population estimates and the average overpayment amount in 2011 for our sampled beneficiaries. Using this methodology, we estimate that SSA will overpay about \$5.7 million ($\$2,786 \times 2,046 = \$5,700,156$) in retirement benefits annually until it takes corrective action.

WEP and No GPO

We refined this population to include beneficiaries whose initial date of entitlement to retirement was April 2007 or later with WEP imposed and who were entitled to a spousal benefit. This resulted in a population of 5,830 beneficiaries. From this population, we randomly selected a sample of 200 beneficiaries for review. For each beneficiary in our sample, we determined whether SSA properly imposed GPO to the spousal benefit by reviewing information from the MBR, Master Earnings File, Modernized Claims System, and Modernized Development Worksheet. In addition, we reviewed SSA's Paperless System, Shared Process System, and Non-Disability Repository for Evidentiary Documents.

Of the 200 beneficiaries in our sample, SSA overpaid \$501,592 to 57 beneficiaries. This occurred because their spousal benefits should have been subject to GPO. Projecting these results to our population of 5,830 beneficiaries, we estimate that SSA overpaid about \$14.6 million to 1,662 beneficiaries. Additionally, we identified 108 beneficiaries who were exempt from GPO but did not have an exemption recorded on the MBR. Projecting these results to our population, we estimate that SSA did not record an exemption on the MBR for 3,148 beneficiaries. The following tables provide the details of our sample results and statistical projections.

Table B–4: Population and Sample Size

Description	Number
Population Size	5,830
Sample Size	200

Table B–5: GPO Payment Errors

Description	Number	Amount
Sample Results	57	\$501,592
Point Estimate	1,662	\$14,621,404
Projection - Lower Limit	1,362	\$9,975,073
Projection - Upper Limit	1,989	\$19,267,735

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

Table B–6: GPO Exemptions Not Recorded on MBR

Description	Number
Sample Results	108
Point Estimate	3,148
Projection - Lower Limit	2,801
Projection - Upper Limit	3,490

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

To estimate the annual amount of overpayments that would occur if SSA does not take action to identify and correct the GPO payment errors, we used our population estimates and the average overpayment amount in 2011 for our sampled beneficiaries. Using this methodology, we estimate that SSA will overpay about \$7 million ($\$4,183 \times 1,662 = \$6,952,146$) in spousal benefits annually until it takes corrective action.

Additional Overpayments Since 2008 Audit

In our 2008 audit,¹ we estimated that unless SSA took corrective action, it would pay about \$53.2 million in WEP and GPO overpayments annually for the beneficiaries we identified in our population. To estimate the additional WEP and GPO overpayments for the beneficiaries identified in our 2008 audit, we randomly selected 2 samples of 50 from each population for review. For each beneficiary in our sample, we determined whether SSA had taken action to impose WEP or GPO and whether the beneficiary is deceased.

¹ SSA OIG, *Dually Entitled Beneficiaries who are Subject to Government Pension Offset and the Windfall Elimination Provision* (A-09-07-27010), September 10, 2008.

We found that SSA had not taken corrective actions for any of the beneficiaries in our samples. However, we determined that 14 beneficiaries with WEP overpayments and 3 with GPO overpayments had died after December 31, 2007. Therefore, we reduced the estimated annual overpayment of \$53.2 million by \$7.8 million. We then multiplied the resulting annual overpayment of \$45.4 million by 4 years (September 2008 through August 2012). The following table provides the details of our estimate of additional overpayments for the population of beneficiaries identified in our 2008 audit.

Table B-7: Estimate of Additional Overpayments for Beneficiaries Identified in 2008 Audit

Description	WEP Overpayments	GPO Overpayments	Total
Annual estimate from 2008 audit	\$20,986,500	\$32,232,600	\$53,219,100
Percentage of beneficiaries now deceased	28%	6%	N/A
Less: Overpayments for deceased beneficiaries	5,876,220	1,933,956	7,810,176
Subtotal	15,110,280	30,298,644	45,408,924
Number of years since 2008 audit	4	4	4
TOTAL	\$60,441,120	\$121,194,576	\$181,635,696

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: January 17, 2013

Refer To: S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset” (A-09-12-11210)—
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,
“DUALLY ENTITLED BENEFICIARIES WHO ARE SUBJECT TO THE WINDFALL
ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET”**
(A-09-12-11210)

Recommendation 1

Establish overpayments or record a WEP or GPO exemption for the 104 beneficiaries identified by our audit.

Response

We agree.

Recommendation 2

Determine whether there is a cost-effective method to identify and correct the population of overpaid dually entitled beneficiaries in current pay who benefits should be reduced for WEP or GPO.

Response

We agree.

Recommendation 3

Identify and if appropriate, implement controls to prevent and resolve pension discrepancies recorded on the MBRs of dually entitled beneficiaries.

Response

We agree.

Recommendation 4

Remind employees to review both the WEP and GPO provisions when they receive pension information for dually entitled beneficiaries.

Response

We agree.

Appendix D– MAJOR CONTRIBUTORS

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

Leticia Lew, Program Analyst

MISSION

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

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