



SOCIAL SECURITY

Inspector General

October 27, 2003

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Shaw:

I am pleased to provide you with the enclosed report addressing your August 11, 2003 letter, asking our Office to determine whether the Social Security Administration (SSA) is properly including military wage credits when calculating benefits. This report contains information related to:

- the number of military veterans receiving SSA benefits,
- the complexities of the legal and regulatory environment,
- potential SSA systems limitations that need to be considered in correcting underpayments/overpayments,
- the status of any open Office of the Inspector General recommendations from previous reviews of military earnings, and
- SSA's planned approach to resolve any underpayments/overpayments.

If you have any questions or would like to be briefed on this issue, please call me or have your staff contact Douglas Cunningham, Executive Assistant, at (202) 358-6319.

Sincerely,

James G. Huse, Jr.

Enclosure

cc:

Jo Anne B. Barnhart

CONGRESSIONAL RESPONSE REPORT

TITLE II BENEFICIARIES WITH MILITARY EARNINGS

A-03-04-24049



OCTOBER 2003

Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Background

On August 11, 2003, the Chairman of the Subcommittee on Social Security requested the Office of the Inspector General (OIG) review the following:

1. The status of ongoing efforts in the Social Security Administration (SSA) to ensure members of the military and their families receive proper accounting of their military wage credits toward benefits;
2. The estimated number of members of the military and their eligible family members who may be affected by failure to properly use military wage credits as well as the potential impact on their benefits; and
3. The potential amount of under- and overpaid benefits related to inappropriate application of military wage credits.

This report contains information related to our initial survey of this area. We anticipate additional military earnings work in the future to fully address all of the above questions. This particular report will address:

- the number of military veterans receiving SSA benefits,
- the complexities of the legal and regulatory environment,
- potential SSA systems limitations that need to be considered in correcting underpayments/overpayments,
- the status of any open OIG recommendations from previous reviews of military earnings, and
- SSA's planned approach to resolve any underpayments/overpayments.

MILITARY SERVICE AND SOCIAL SECURITY

Military personnel have been covered under Social Security since 1957.¹ Although Social Security benefits are based on average lifetime earnings, members of the military receive special credits that augment their earnings for the purpose of computing Social Security benefits. The Congress enacted special credits because it believed that the military earnings reported to SSA were too low, and that, without the credits, Social Security benefits for veterans and their dependents would also be too low. Congress has also provided special credits for veterans who served before the military was brought under the Social Security system.

¹ Servicemen's and Veterans' Survivor Benefits Act, Public Law No. 84-881, August 1, 1956; Amended the Social Security Act by extending regular contributory coverage under the old-age and survivors insurance program to members of the uniformed services on active duty after 1956.

The OIG has released two reports in recent years on military earnings. In September 1997, we released a report entitled *Payment Accuracy Task Force: Earnings Record Issue Team*² that made 18 recommendations to improve the earnings process, 13 of which related directly to problems with military earnings. The report noted that military service earnings errors accounted for the largest dollar amount, about 60 percent, of all earnings record errors caused by field offices. In Fiscal Year 1995, military service errors accounted for \$52.6 million (30 percent) of the \$166.1 million in projected earnings errors related to the Title II retirement program. These type of errors could impact SSA's dollar accuracy of Title II payments—one of the Agency's performance indicators.³

The 1997 report highlighted problems in the following areas:

- Ensuring that military wages are posted properly;
- Allowing claimants to verify military service dates;
- Obtaining evidence of military service;
- Preventing the exclusion of post-1956 military service;
- Identifying reserve and National Guard service;
- Identifying military service using SSA's records; and
- Establishing clear military service policies for use by field offices.

In October 2002, we released a Congressional Response Report entitled *Status of Corrective Actions Taken in Response to Recommendations in Fiscal Years 1997 Through 2000 Payment Accuracy Task Force Reports*.⁴ In this report we noted that 10 of the 13 recommendations provided in the prior report had been implemented, and the remaining 3 were in the process of implementation, which we will discuss later in this report.

² *Payment Accuracy Task Force: Earnings Record Issue Team Final Report*, (A-13-97-52003), September 1997. The Payment Accuracy Task Force was created through the cooperative efforts of SSA and the OIG to improve the accuracy of payments for SSA's Old-Age Survivors and Disability Insurance and Supplemental Security Income programs. To guide and support this effort, an Associate Commissioner level Steering Committee was formed.

³ SSA has a strategic objective, beginning in 2002 and through 2005, to maintain at 99.8 percent the overpayment and underpayment accuracy based on non-medical factors of eligibility of Old Age Survivors and Disability Insurance payment outlays.

⁴ *Status of Corrective Actions Taken in Response to Recommendations in Fiscal Years 1997 Through 2000 Payment Accuracy Task Force Reports*, (A-13-01-21046), October 2002.

Results of Review

Military veterans represent approximately one out of every four Social Security beneficiaries. A number of changes in legislation have attempted to provide these veterans with equitable benefits when compared to the rest of the population. However, these changes have also made the claims process more complex. Furthermore, SSA's own systems have limitations which complicate the benefit calculation process. While the OIG has recommended improvements in Agency procedures for determining military earnings and credits, these recommendations did not address previous errors. As a result, SSA is attempting to locate beneficiaries who may have errors in their previous benefit calculation and resolve these problems.

MILITARY VETERAN RECEIVING SSA BENEFITS

According to SSA's Office of Policy, approximately 9.3 million military veterans were receiving SSA benefits in 2000.⁵ These veterans represented about 25 percent of the adult Social Security beneficiary population at that time. Furthermore, approximately 42 percent of all Social Security beneficiaries were either veterans or resided with family members who were veterans. The SSA study also noted that between 1968 and 2000, while the overall Social Security population almost doubled, the number of veterans receiving Social Security more than quadrupled.

About 4.7 million of the veterans who receive Social Security benefits are World War II veterans, most of whom were 75 years or older at the time of the SSA study. In Figure 1 we provide information on military veterans receiving Social Security benefits by the war in which they served. Figure 2 shows military veterans receiving Social Security benefits by age.

⁵ *Military Veterans and Social Security*, Research and Statistics Note, Note No. 2001-01, Office of Research, Evaluation, and Statistics, SSA, February 2001.

Figure 1: Military Veterans Receiving Social Security Benefits by Wartime Service (As of March 2000)

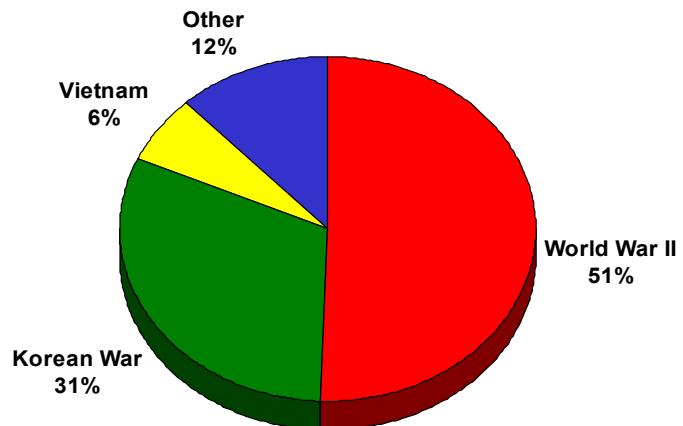
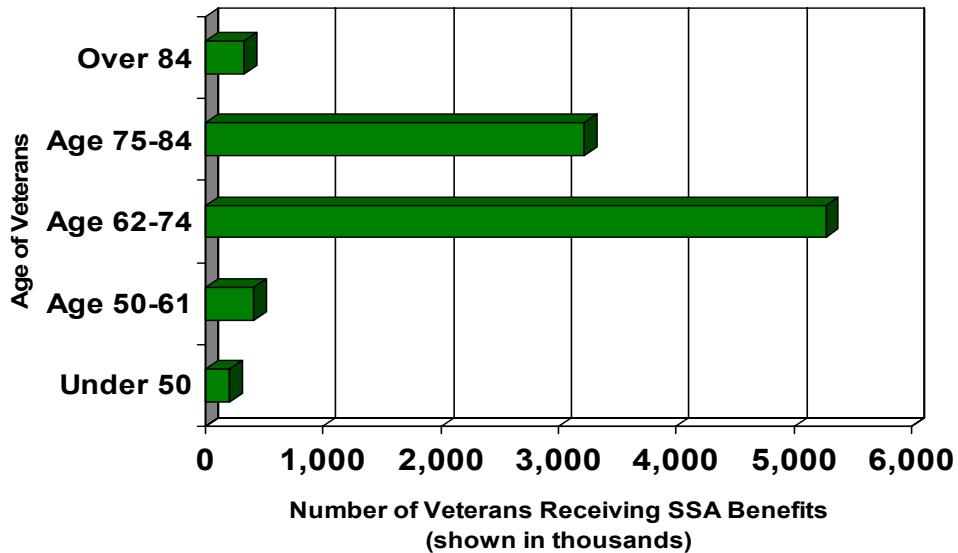


Figure 2: Military Veterans Receiving Social Security Benefits by Age (As of March 2000)



COMPLEXITIES OF LEGAL AND REGULATORY ENVIRONMENT

Title II of the Social Security Act requires that SSA maintain records of wage amounts employers pay to individuals as well as each individual's self-reported income.

Members of the U.S. military were not added to the Social Security program until 1957.⁶ Although this allowed U.S. veterans to benefit from the program, it also raised concerns about whether their benefits were adequate since the veterans (1) lacked military earnings credit history prior to 1957 and (2) had lower recorded wages than other workers in the economy.⁷

As a result, Congress passed a number of laws to provide military veterans with gratuitous wage credits⁸ and deemed wages,⁹ and thereby higher retirement benefits. For example, under the new provisions the amount added to a veteran's earnings records would depend on when they served in the military.

- Service after September 15, 1940 and before 1957: \$160 per month.
- Service after 1956 and before 1978: \$300 per quarter.
- Service after 1977 and before 2002: \$100 per month.
- Service after 2001: credits eliminated.

We further describe some of these provisions in Appendix C.

Whether or not to apply a credit or deemed wages as part of the benefit calculation can be complicated by other factors as well. For example, SSA claims representatives (CR) processing claims may need to determine whether (1) a veteran was honorably discharged from the military,¹⁰ (2) the service lasted at least 90 days,¹¹ (3) the earnings were used towards any other Federal pension,¹² and/or (4) the veteran was on active duty or annual training.¹³ Each of these elements can impact the benefit calculations.

⁶ See Footnote 1.

⁷ The recorded wages were lower, in part, because military service basic pay was very low and did not reflect the value of food, shelter, and other benefits.

⁸ Veterans are eligible for "gratuitous military wage credits" of \$160 for each month of active duty if they were on active duty in the uniformed services after September 15, 1940, and before January 1, 1957.

⁹ Deemed wages are noncontributory wages added to veterans wage records who served in the military after 1957 and had covered military earnings reported.

¹⁰ Program Operations Manual System (POMS) reference RS 01701.060 "Pre-1957 Wage Credits – Types of Discharge or Release."

¹¹ POMS reference RS 01701.055 "Pre-1957 Wage Credits – Length of Service Requirements."

¹² POMS reference RS 01701.080 "Bars to SSA Wage Credits."

¹³ POMS reference RS 01701.140 "[Deemed Military Wage] Requirements After 1956 But Before 2002."

An additional issue that must be considered is whether the military earnings were properly posted to SSA's earnings records. The Master Earnings File (MEF) contains all earnings data reported by employers and self-employed individuals. However, as we have noted, military veterans were not covered under SSA's program until 1957, and earnings between 1957 and 1967 do not always show sufficient detail to determine whether the earnings relate to military service. Furthermore, sometimes military service wages are missing from SSA's earnings records if the name and Social Security number combination on the reported wages does not match SSA's records. In such cases, the wages are posted to SSA's Earnings Suspense File (ESF) until the earnings can be resolved.¹⁴

In each case where military service is being developed, the military veterans or their dependents may be required to provide evidence of military service. SSA attempts to obtain evidence of military service from the claimant first,¹⁵ which may eliminate the need to contact other sources. This verification may slow down the claims process if the information is not readily available. Fortunately, SSA now has a variety of ways to obtain the necessary military evidence. For example, SSA can query Department of Veterans Affairs military service information via an online system.¹⁶ Furthermore, a request for evidence can be sent to the Department of Defense.¹⁷ And, if necessary, a local courthouse may even be able to provide the evidence. Nonetheless, this additional work may complicate and delay the claims process.

SSA SYSTEMS LIMITATIONS

SSA has a number of systems limitations that impact the calculation of benefits for military veterans, including (1) lack of a military identifier on earnings prior to 1968; (2) lack of earnings detail on the Agency's earnings system prior to 1978; and (3) reporting problems related to military-related Employer Identification Numbers (EIN).¹⁸

¹⁴ For more on the ESF, see our *Congressional Response Report: Status of SSA's Earnings Suspense File* (A-03-03-23038), November 2002.

¹⁵ To determine whether the earlier wages are military-related, the claimant may provide documentation such as a *Report of Transfer or Discharge* (DD-214).

¹⁶ This system—the Veterans Benefits Administration Query—was first introduced in May 2002.

¹⁷ This may not be possible for some Army or Air force veterans whose records were destroyed in a fire. The fire at the National Personnel Records Center in St. Louis, Missouri destroyed 75 to 80 percent of the records for: Army veterans discharged before 1960 and Air Force veterans surnamed "Hubbard" through "Z" who were discharged between September 25, 1947 and December 31, 1963.

¹⁸ The EIN is a 9-digit number assigned by the Internal Revenue Service to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax filing and reporting purposes.

Identifying Military Earnings Prior to 1968

Prior to 1968, military earnings were shown in SSA's systems as regular wages rather than military wages. As a result, military wages reported from 1957 through 1967 have not always been properly identified and used to provide appropriate credits. Beginning in 1968, SSA modified its systems to specifically identify military earnings to ensure appropriate credits were automatically added to an individual's earnings record. SSA staff informed us that the U.S. military places an identifier on their wage reports before sending them to SSA so that the wages can be recognized by SSA as military wages.

To resolve the issue of unidentified military wages from 1957 to 1967, SSA created the Disability, Railroad, Alien and Military Service (DRAMS)¹⁹ file—a separate database used to identify proven military service during this period. During the benefit claims process, the CR requests information about military service and places beginning and ending dates of service into DRAMS. As part of the automated benefit calculation process, wage credits related to the periods of service shown in DRAMS, if material, are added to the veteran's earnings record and treated as regular covered wages for insured status purposes. However, unlike military wages posted after 1968, military wage credits are not automatically noted in SSA's system when a CR performs a manual benefit calculation. As a result, errors are more likely to occur in calculations using this pre-1968 military wage data.

Earnings Record Details Prior To 1978

The MEF does not provide details on military earnings, or any earnings, prior to 1978. The wages are bundled together by year earned, but details such as employer name or EIN are not posted to each individual's earnings history. This makes it difficult for the CR—who may be using the earnings information to understand a worker's earnings history—to determine whether an individual has been credited for each year of military service.²⁰ If the documentation is not available, SSA may request the Office of Central Operations (OCO) begin a process called "Feedback,"²¹ which is used to identify and post the quarterly earnings detail from each employer for the requested years to SSA's MEF.²²

¹⁹ DRAMS is an SSA file that contains information from other government agencies and prior SSA claims. DRAMS provides information, by Social Security number, about (1) alien deportation actions from the Immigration and Naturalization Service (now the Department of Homeland Security); (2) Japanese internment from 1941 through 1946; (3) military service from 1940 through 1967; (4) prior periods of disability from 1957 to present (excluding FREEZE only periods after 1977); and (5) Railroad Retirement Board Jurisdiction information.

²⁰ In our 1997 report, we noted that SSA should modify policy to require review of pre-1978 military wages.

²¹ Feedback is a process used where OCO checks its microfilm files for an earnings detail of a number holder between 1937 and 1977.

²² If the missing earnings are not posted as the result of Feedback, SSA's ESF can be queried. Military wages located in the ESF can be reinstated to the earnings record.

Military Employer Identification Numbers

SSA personnel told us that hundreds of EINs have been used by the Federal Government over the years when reporting military wages. However, SSA staff noted that not all of the military-related EINs were properly identified in SSA's systems nor recognized by SSA staff. For example, some of the military wages have been reported as regular wages under the EIN of a private company. In a recent case, SSA discovered that a private employer's EIN was incorrectly used by the Department of the Army for active military reservists for the years 1958 through 1966—impacting as many as 11,000 wage earners. As a result, appropriate credits may be missing from the veterans' earnings records.

SSA advised us that 1972 amendments to the Social Security Act,²³ which extended deemed wage credits to military service personnel from 1957 to 1967, introduced several factors which have contributed to the issues faced by the Agency, including:

- SSA did not have a systematic way to identify military earnings already reported and posted for years 1957 through 1967. As a result, the Agency determined that the only way to administer the provision was to require claims representatives to obtain proof of military service and credit military service as part of the claims process.
- Until the 1972 legislation, there was no legal requirement to maintain a record of military earnings for the years 1957 through 1967. As a result, the systems limitations related to a lack of a military identifier on the earnings records prior to 1968 and the EIN reporting issues, resulted from the retroactive application of the deemed military wage provision.
- The 1972 legislation expanded the universe of beneficiaries covered by the deemed military wages provisions, which contributed to the overall size of the problem.

STATUS OF OPEN RECOMMENDATIONS

As stated earlier, our September 1997 report²⁴ stated that Fiscal Year 1995 military service errors accounted for \$52.6 million (30 percent) of the \$166.1 million in projected Title II retirement earnings errors. About \$19.7 million in deficiencies, or 37 percent, were caused by a lack of clear military service policies for use by the field offices. Another \$12.7 million in deficiencies, or 24 percent, related to the need for field office staff to ensure that military wages were posted properly to the earnings record.

²³ Public Law No. 92-603, §120(a)(2).

²⁴ *Payment Accuracy Task Force: Earnings Record Issue Team Final Report*, (A-13-97-52003), September 1997.

At the time of our October 2002 report,²⁵ SSA had implemented 10 of the 13 recommendations we made related to military earnings. In September 2003, SSA provided an update on the remaining three recommendations:²⁶

- *Automate the feedback procedure used to prove alleged military service during 1957-1967* – SSA said resource limitations have not allowed the Agency to implement the change;
- *Generate a systems alert when the claimant alleges no military service, and the system can identify possible military service* – SSA said they will be able to implement this recommendation in April 2004; and
- *Establish an intercomponent team to improve military service procedures* – SSA said it hopes to issue revised procedures in the summer of 2004.

We provide the full text of SSA's responses to all 13 recommendations in Appendix D.

While the recommendations we made in the 1997 report should assist SSA as it processes future benefit claims involving military earnings, past errors are not likely to be resolved as a result of these improvements. As a result, the military service of veterans who applied for Social Security retirement benefits in the past may need to be revisited to ensure benefit calculations fully considered the impact of noncontributory wage credits and/or deemed wages.

As noted earlier, about 4.7 million of the veterans who receive Social Security benefits are World War II veterans, most of whom were 75 years or older at the time of the March 2000 SSA study. Furthermore, according to the Center for Disease Control and Prevention's *National Vital Statistics Reports*,²⁷ males who had reached age 75 in the year 2000 had an average life expectancy of approximately 10 years. Hence, the Agency has a narrow window to correct past Social Security retirement benefits for this elderly group of veterans.

SSA advised that most World War II veterans are not adversely affected by missing military service wage credits. The reason is that most benefit calculations for beneficiaries in this age group consider only earnings after 1950. Therefore, military wage credits for the World War II era are seldom used in benefit calculations. For the most part, only those World War II veterans who had active military service after 1950 are potentially affected by missing military credits. SSA noted that this group would include veterans who also served in the Korean Conflict or had an extended military career, which is a fraction of the 4.7 million World War II veterans receiving benefits.

²⁵ *Congressional Response Report: Status of Corrective Actions Taken in Response to Recommendations in Fiscal Years 1997 Through 2000 Payment Accuracy Task Force Reports*, (A-13-01-21046), October 2002.

²⁶ These were recommendations 7, 12, and 13, respectively.

²⁷ *Deaths: Preliminary Data for 2001*, National Vital Statistics Reports, Center for Disease Control and Prevention, Department of Health and Human Services, Volume 51, Number 5, March 14, 2003.

SSA's APPROACH TO RESOLVING MILITARY WAGE ERRORS

SSA's Office of Quality Assurance and Performance Assessment (OQA) has a number of ongoing efforts to identify missing noncontributory and contributory military wage credits and determine their potential impact on current and future Title II beneficiaries. OQA is attempting to locate military earnings errors by analyzing employer wage reporting trends, reviewing areas known to be problematic in the past, and validating the information in SSA's records. As noted earlier, adjusting benefits for military earnings is particularly difficult due to the complex statutory requirements as well as limitations within SSA's systems.

In one of its reviews, OQA has profiled a 1 percent sample of individuals currently receiving Title II payments on SSA's Master Beneficiary Record (MBR)²⁸ to identify those individuals most likely to have served in the U.S. military.²⁹ For example, if an individual's MEF record showed 3 years of military service, from 1968 to 1970, and detail on the earnings before 1968 was never added to the MEF, the record might be selected for further review to ensure the early earnings did not also relate to military service.

Once it identified this group with military service, OQA recalculated benefits for those cases where it appeared relevant military wages and/or qualifying credits were not taken into account as part of their initial benefit computation. Changes due to these recalculations were immediately posted to the beneficiary's account. This military service profiling will be used to extract all potential records from SSA's MBR for further investigation and possible benefit recalculation.

In the months to come, OQA will expand this review to more cases to properly quantify the full impact on retired and disabled beneficiaries, as well as any auxiliary beneficiaries on their record. Such a review will entail additional resources to (1) obtain feedback on wages prior to 1978 and (2) recalculate benefits where wages and/or credits were not properly included.

Additional efforts by OQA may involve reviewing the military EINs used in SSA's MEF, verifying SSA's military information against other government databases, and/or determining additional profiling techniques to find earnings errors. We asked SSA for both an early estimate of underpayments and/or overpayments related to current and planned projects, but were told by Agency staff that this information was not yet available. However, based on early indications, OQA expects underpayments related to military earnings to be considerably larger than overpayments.

²⁸ The MBR is an electronic file containing information related to SSA beneficiaries' retirement, survivors, or disability benefits.

²⁹ Some military service performed in foreign militaries might also qualify for military credits. For example, service in the Philippines military may make an individual eligible for credits. See 20 C.F.R. §§ 404.1312(d)-(e) and 404.1322(d).

Conclusions

Military veterans represent a large number of Social Security beneficiaries. The complexity of the credits and deemed wages, as well as system limitations, also make determining benefits for this group difficult at times. While past OIG recommendations can help with future calculations, past errors will need to be resolved through OQA's efforts to identify beneficiaries with errors in their previous benefit calculations.

SSA should be commended for its proactive approach in this area. Regardless of the complexities involved in implementing legislative mandates, military veterans are entitled to full credit for the service they provided to the United States. Based on projections in the 1997 review, military earnings errors in Fiscal Year 1995 caused approximately \$52 million in payment errors. If similar errors have occurred over the years, the impact of these errors could have a significant impact on benefit computations. Furthermore, since many of the veterans who may be impacted by these recalculations are among the Agency's older beneficiaries, SSA management will need to ensure sufficient resources are made available to expedite OQA's work.

We will continue to monitor the Agency's progress in this area to ensure military service is properly credited to past and future Title II beneficiaries.

Appendices

Appendix A – Acronyms

Appendix B – Scope and Methodology

Appendix C – Selected Legal Provisions Related to Military Earnings

Appendix D – Status of Previous Payment Accuracy Task Force Recommendations

Appendix A

Acronyms

C.F.R.	Code of Federal Regulations
CR	Claims Representative
DMW	Deemed Military Wages
DRAMS	Disability, Railroad, Alien and Military Service
EIN	Employer Identification Number
EMS	Earnings Modernization System
ESF	Earnings Suspense File
MBR	Master Beneficiary Record
MCS	Modernized Claims System
MEF	Master Earnings File
OCO	Office of Central Operations
OIG	Office of the Inspector General
OQA	Office of Quality Assurance and Performance Assessment
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

Scope and Methodology

To answer the Chairman's questions related to Social Security Administration (SSA) benefits paid to military veterans, we:

- Reviewed legislation related to the treatment of military earnings.
- Reviewed SSA's policies and procedures regarding military earnings.
- Reviewed earlier reports and studies related to military earnings.
- Met with SSA officials to discuss the military earnings process, including Office of Quality Assurance and Performance Assessment staff to discuss the status of work to resolve past military earnings errors.

The entity responsible for processing Social Security benefits are the field offices under the Deputy Commissioner for Operations. Our work was conducted at the Office of Audit in Philadelphia, Pennsylvania, during September and October 2003. We conducted our review in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

Appendix C

Selected Legal Provisions Related to Military Earnings

Social Security Act Provisions	Wording of Provisions
Section 217(a), (d) and (e) of the Social Security Act, as amended, [42 U.S.C. §§ 417(a), (d) and (e)]	Noncontributory wage credits of \$160 per month are deemed to veterans under certain conditions in connection with active military service between September 16, 1940 and December 31, 1956.
Section 229(a) of the Social Security Act, as amended, [42 U.S.C. 429(a)]	Extends wage credits of \$300 in each calendar quarter of military service occurring after 1956 and before 1978. Extends wage credits of \$100 for service occurring after 1977 for each \$300 of military pay. The deemed military wages cannot exceed \$1,200 per calendar year. ¹ Deemed military wages (DMW) were eliminated for members of the uniformed services for all years after Calendar Year 2001. ²

¹ Program Operations Manual System, section RS 01702.336 "Crediting DMWs for Years After 1977 But Before 2002", DMWs after 1977 but before 2002 are granted in increments of \$100 up to a maximum of \$1,200, and are added automatically to the earnings record. For each full \$300 of annually reported wages, an increment of \$100 of DMWs is granted (up to the \$1,200 maximum). DMWs are credited to the year for which the wages were reported.

² FN 218 of Section 229(a) of the Social Security Act, as amended, [42 U.S.C. 429(a)]; See also Public Law No. 107-117, § 8134.

Status of Previous Payment Accuracy Task Force Recommendations

Status Information Provided by the Social Security Administration (SSA)

Recommendation	Condition at Time Recommendation Made	Status
Recommendation 1: Modify policy to require review of pre-1978 military wages.	Current policy requires claims representatives (CR) to review a claimant's earnings records for possible earnings inaccuracies for the years 1978 to 2001. It is not a requirement for years before 1978. As a result, pre-1978 military service wages needed for benefit computation were frequently overlooked.	As of June 2002 – Implemented. The Wage Development chapter of SSA's operating procedures was rewritten to include a review of pre-1978 military wages. The expected completion date was November 2001. In June 1999, SSA implemented military service on-line help screens to provide guidance to claims representatives in obtaining military service evidence. The screens included guidance regarding review of pre-1978 military wages.
Recommendation 2: Improve the presentation quality of the military service wage tables.	CRs refer to military wage tables in their operating procedures to obtain basic pay scales for years of service for the various military ranks. This information is used in benefit computation. CRs found the tables difficult to use—as parts of the table were completely illegible.	As of June 2002 – Implemented. In September 1997, the presentation quality of the military service wage tables was improved.
Recommendation 3: Print the claimant's statement regarding periods of military service on the application.	Claimants frequently disagree with the military service dates used in their benefit computations. To ensure the correct information is used in the computation, the claimant's periods of military service need to be generated in a printed application to provide them with an opportunity to review the information.	As of June 2002 – Implemented. In June 1999, SSA's operating procedures were revised to include this information and the Modernized Claims System (MCS) was modified to document the claimant's statement regarding periods of military service on the application. MCS is an automated system used to input Title II claims related data.

Recommendation	Condition at Time Recommendation Made	Status
Recommendation 4: Generate a reminder on the development worksheet to prompt claims representatives to initiate military service development.	CRs indicated there are often so many development issues to consider when processing a claim, it is possible to overlook development of military service. Many CRs use the MCS development worksheet to ensure claims are developed and documented. However, military service evidence is not shown on the worksheet.	As of June 2002 – Implemented. As part of the MCS update in September 1998, a reminder is now generated for CRs to initiate military service development.
Recommendation 5: Generate a diary when military service is alleged and the claim is being adjudicated.	CRs can award benefits so a claimant receives partial benefits until military service evidence is received. If a diary is not established to control receipt of the evidence, the claimant may not receive the appropriate military service credit.	As of June 2002 – Implemented. The generation of a diary was included in the November 2000 MCS update. When military service evidence is not readily available, CRs can award partial benefits until evidence of military service is received. An automated systems diary has been established to remind CRs to develop military service evidence.
Recommendation 6: Correct "scouting" and "feedback" terminology in operating procedures.	"Scouting" is the process previously used by CRs to research an allegation of incorrect, missing or under/overstated earnings where an employer is known. With the advent of the Earnings Modernization System (EMS) Release 2.8, the process became automated and is now referred to as "Feedback."	As of June 2002 – Implemented. The operating procedures were revised in September 1998 to change the term "scouting" to "feedback."
Recommendation 7: Automate the Feedback procedure used to prove alleged military service during 1957-1967.	For CRs to obtain Feedback information, they must exit the on-line claims taking process and enter the EMS. By incorporating the Feedback procedure into the claims taking process, CRs have the discretion to obtain Feedback while discussing military service evidence with the claimant.	As of August 2003 – Pending. The automated Feedback procedure used to prove alleged military service during 1957 to 1967 was scheduled to be included in the MCS enhancements scheduled for 2002. Due to resource limitations, SSA was unable to implement this change in 2002. The Agency is in the process of reprioritizing many workloads that require systems resources. This will help SSA to more accurately determine when the automated Feedback procedure may be implemented.

Recommendation	Condition at Time Recommendation Made	Status
Recommendation 8: Educate claims representatives on specific military service procedures.	CRs indicated they found military policies and procedures difficult to interpret and follow. Additional training is needed on the proper use of military service codes, when and how to use military service tables, when it is appropriate to request feedback, and how feedback differs from the "scouting" (now "Feedback") process.	As of June 2002 – Implemented. In March and April 2000, an interactive video training focused entirely on military service procedures.
Recommendation 9: Include "County Courthouses" as another potential source for military service proofs.	Several CRs indicated they found it more expedient to obtain military service records from a courthouse than to wait for evidence requested from a branch of the military service. Local courthouses maintain copies of veterans' discharge papers—the preferred evidence for proof of military service.	As of June 2002 – Implemented. In June 1998, SSA operating procedures were revised to emphasize "County Courthouses" as another potential source for obtaining proof of military service.
Recommendation 10: Implement an on-line edit to prevent the incorrect use of the proof code "precluded" used for post-1956 military service.	Post-1956 military service can be used in calculating Social Security benefits unless the Railroad Retirement Board has given credit for the same service. This edit is to prevent CRs from giving the claimant credit for post-1956 military service until they check that the Railroad Retirement Board has not given the claimant credit.	As of June 2002 – Implemented. As part of the June 1999 MCS update, an edit was incorporated into the screen for Military Service to prevent incorrect use of the proof code "precluded" for post-1956 military service.
Recommendation 11: Revise the military service question on MCS to solicit additional information regarding active reserve and National Guard service.	CRs were not identifying all periods of military service. They were not specifically asking the claimants about active reserve or National Guard service.	As of June 2002 – Implemented. Language is being incorporated in the latest MCS update to solicit information regarding active reserve and National Guard service.

Recommendation	Condition at Time Recommendation Made	Status
Recommendation 12: Generate a systems alert when the claimant alleges no military service, and the system can identify possible military service.	For survivors' claims, the claimant sometimes does not or cannot remember that the Social Security numberholder served in the military. SSA has a database of military service information obtained when a prior claim was filed. An alert was needed in MCS to notify CRs of the existence of military service evidence.	As of August 2003 – Pending. Beginning with Title II Redesign Release 3 (April 2004), if military service has been proven and appears on Disability, Railroad, Alien and Military Service System, the information will be propagated to MCS military service screens. If it is only alleged and is only on EMS, SSA will not generate an alert.
Recommendation 13: Establish an inter-component team to improve military service procedures.	CRs were confused by SSA's policies and procedures and found them difficult to interpret and follow.	As of August 2003 – Pending. Due to legislation and other priority work, this recommendation has not been completed. Legislation in the military service area requires drafting regulations and then making corresponding changes to SSA's Program Operations Manual System (POMS). The Agency expects the revised POMS will be completed and released in Summer 2004.

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The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

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The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.