
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SURVIVOR BENEFICIARIES
ENUMERATED
AFTER THE WAGE EARNER'S
DEATH**

May 2006

A-06-05-25136

AUDIT REPORT



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.**
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- 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.**

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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.



SOCIAL SECURITY

MEMORANDUM

Date: May 23, 2006

Refer To:

To: The Commissioner

From: Inspector General

Subject: Survivor Beneficiaries Enumerated After the Wage Earner's Death (A-06-05-25136)

OBJECTIVE

Our objective was to determine the effectiveness of controls over payments to survivor beneficiaries enumerated after a wage earner's death.

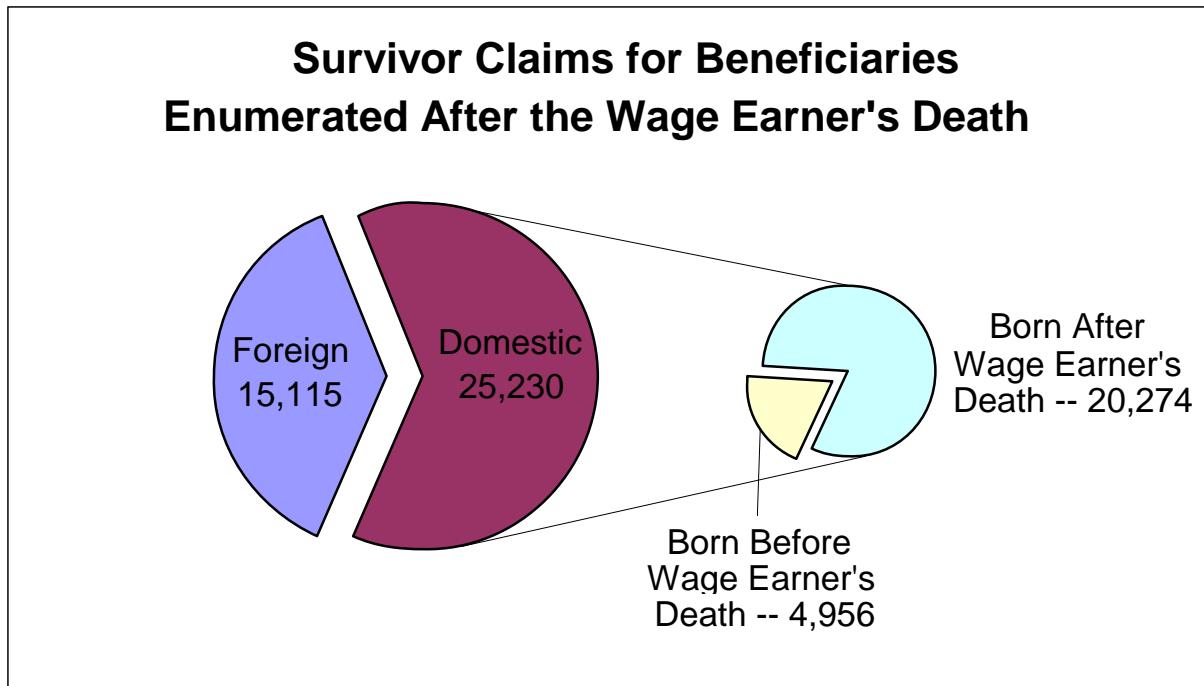
BACKGROUND

The Social Security Administration (SSA) provides benefits to insured individuals who have reached retirement age, survivors' benefits to dependents of insured wage earners when the wage earner dies, and disability benefits to disabled wage earners and their families. Children, widows, spouses, and parents entitled to benefits on the Social Security record of a deceased wage earner are referred to as survivor beneficiaries. Each survivor beneficiary must have an assigned Social Security number (SSN) to receive benefits. If a survivor claimant does not have an SSN, an *Application for a Social Security Card* must be completed and subjected to the same process and evidence requirements as any other SSN card request. The primary wage earner's SSN is used to track the survivor beneficiary's payments.

In a recent Dallas region fraud case, an experienced SSA employee enumerated nonexistent children and used them to apply for survivor benefits on the records of recently deceased wage earners. The SSA employee arranged to have these benefits direct deposited into bank accounts she controlled. During the fraud investigation, the employee stated that weaknesses in SSA processes and procedures made it easy to commit these crimes. In response to this case, we identified 40,345 survivor claims (nation-wide) since January 1996 that were filed on behalf of 39,995 survivor beneficiaries enumerated after the primary wage earner's death. Our analysis identified 15,115 claims for foreign-born and 25,230 claims for domestic-born beneficiaries.¹ SSA records indicated 20,274 claims for domestic beneficiaries born after the primary wage earner's death. We analyzed a sample of 160 enumerations related to the

¹ Foreign beneficiaries are a large part of the population because SSA will not assign them an SSN until needed for claims purposes.

40,345 claims to determine if SSA adequately documented the enumerations. In addition, we selected 483 records for detailed review based on their similarity to characteristics of the Dallas Region fraud case. See Appendix B for the Scope and Methodology of our review.



To ensure the validity of survivor claims, SSA established policies and procedures that detail the types of acceptable proof that must be submitted before SSA will enumerate an individual or approve a survivor benefit claim. SSA established additional policies for situations where a survivor benefit claim is filed on behalf of a child born after the father's death. For example, SSA policies state field offices should question the legitimate status of children born more than 287 days after the father's death.² SSA also established specific dependency requirements for children adopted by surviving spouses.³ In addition, SSA requires that all survivor claims on behalf of children conceived through in vitro fertilization after the death of the father be reviewed by the appropriate Regional Chief Counsel.⁴

² SSA, Program Operations Manual System (POMS), GN 00306.020(B)(5), *Presumption of Legitimacy*.

³ SSA, POMS, GN 00306.145, *Child Legally Adopted by NH's Surviving Spouse*.

⁴ SSA, POMS, GN 00306.001(C)(1)(c), *Determining Status as Child*.

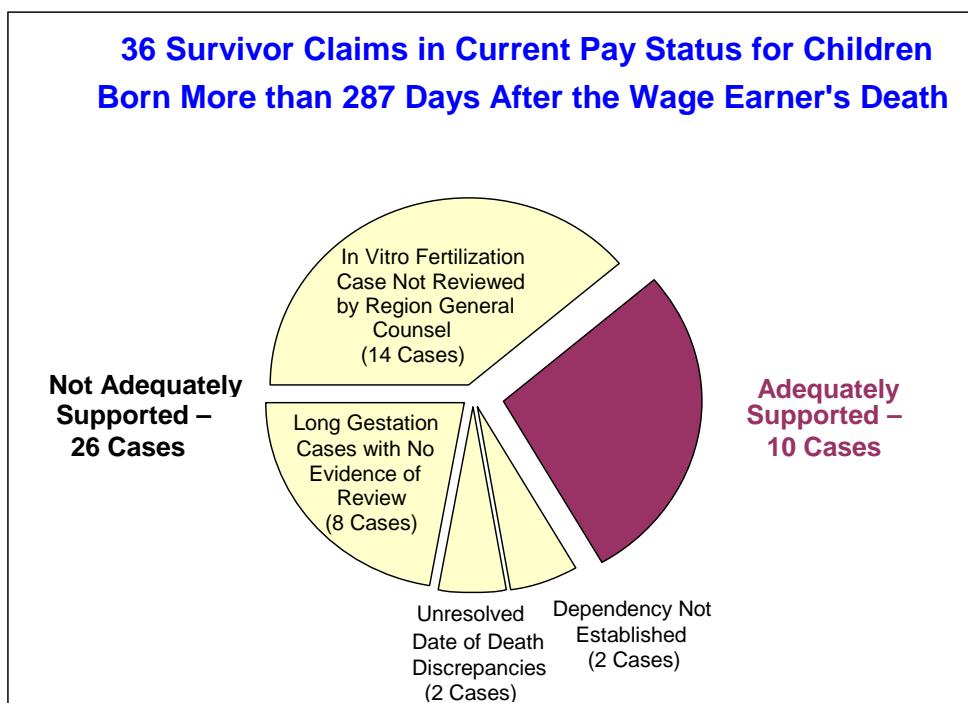
RESULTS OF REVIEW

Generally, SSA policies and procedures provided for effective control over payments to survivor beneficiaries enumerated after the wage earner's death. Our review of enumeration documentation, representative payee information, beneficiary address, and electronic deposit information associated with these claims did not identify further indications of a fraud scheme similar to the Dallas Region case. However, our tests revealed SSA employees did not follow procedures that governed adjudication of survivor claims for children born more than 287 days after the wage earner's death. Consequently, SSA could pay more than \$4.6 million in questionable benefits.

CHILDREN BORN MORE THAN 287 DAYS AFTER A WAGE EARNER'S DEATH

According to SSA policy, field offices should question the legitimate status of children born more than 287 days after the father's death. Absent established legal precedent,⁵ these claims should be forwarded to the applicable Regional Chief Counsel for review.⁵

We identified 36 children whose records suggest they were born more than 287 days after their father's death who received survivor benefits on the deceased father's record. In 10 cases, we either (1) obtained documentation to indicate the Regional Chief Counsel had reviewed and provided guidance on the claims, or (2) determined incorrect dates of death were recorded on the wage earner's record. In the remaining 26 cases, field office staff improperly adjudicated the benefit claims.



⁵ SSA, POMS, GN 00306.020(B)(5), *Presumption of Legitimacy*.

A summary of the 26 cases is provided below.

- In 14 cases, field offices did not obtain applicable Regional General Counsel guidance before authorizing claims that involved children conceived by in vitro fertilization after the father's death. Children conceived by artificial means after a wage earner's death cannot be entitled under the Federal law provisions of the *Social Security Act*. These children can only be entitled if they have inheritance rights under applicable State law. SSA policy states these legal determinations can only be made by the Regional General Counsel.⁶ We found no evidence to indicate the field offices obtained these required legal determinations.
- In two cases, SSA improperly approved survivor claims for adopted children who clearly did not meet established dependency requirements. To meet these requirements, SSA policy states adopted children must have lived with or received support from the wage earner.⁷ However, in both cases, surviving spouses adopted children (in one case, a grandchild) who were not conceived until after the wage earner's death. In both instances, retirement and survivor's insurance specialists in applicable regional offices agreed these children were not entitled to benefits and field office staff should not have approved these claims.
- In eight cases, field office staff did not obtain applicable Regional Chief Counsel guidance on claims that involved children born after unusually long gestation periods. These long gestation periods raised questions as to whether the wage earner could have actually fathered the child before his death.
- In two cases, SSA approved survivor claims but did not resolve discrepancies between information noted in the survivor claim and data that appeared elsewhere in SSA's records. These discrepancies should have raised doubts as to whether the deceased wage earners could have fathered these children. For example, SSA pays \$493 per month in survivor benefits to a child born in March 1997. Dates of death recorded in both the Master Beneficiary Record and Modernized Claims System indicated the deceased wage earner could not have fathered the child because he died in January 1996—more than 13 months before the child's birth. However, field office staff approved the claim, apparently basing this decision on a nonspecific "9/XX/96" date of death recorded on the father's Numident record.

We contacted Center for Program Support retirement and survivor insurance staff in SSA's Atlanta, Boston, Chicago, Dallas, Denver, Kansas City, Philadelphia, New York, and San Francisco regions regarding the cases discussed above. In each case, we were informed that no documentation existed to indicate the Region Chief Counsel reviewed or provided guidance on these claims.

⁶ SSA, POMS, GN 00306.001(C)(1)(c), *Determining Status as Child*.

⁷ SSA, POMS, GN 00306.145(C)(1)(b), *Child Legally Adopted by NH's Surviving Spouse*.

CONCLUSION AND RECOMMENDATIONS

SSA generally has adequate controls in place to safeguard payments for survivor beneficiaries enumerated after the wage earner's death. Our review of enumeration documentation, representative payee information, beneficiary address, and electronic deposit information associated with these claims did not identify further indications of a fraud scheme similar to the Dallas Region case. However, SSA did not properly adjudicate survivor claims for children born more than 287 days after the death of the primary numberholder (father). These beneficiaries will receive more than \$4.6 million in questionable benefits on these claims.

We recommend that SSA:

1. Review the claims associated with the 26 children born more than 287 days after the wage earner's death and refer any fraudulent cases to the Office of Investigations.
2. Issue a reminder to field office staff to follow procedures for establishing relationship and dependency by obtaining applicable Regional Counsel's legal opinion on survivor benefit claims involving children born more than 287 days after the wage earner's death.

AGENCY COMMENTS

SSA agreed with our recommendations and provided a technical comment that we incorporated into the final report. See Appendix C for the text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Scope and Methodology

APPENDIX B – Survivor Benefits for Children Born More than 287 Days After Death of the Father

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Scope and Methodology

To accomplish our objective, we:

- Reviewed the Social Security Administration's (SSA) policies and procedures related to the Modernized Enumeration System and the Modernized Claims System.
- Reviewed prior Office of the Inspector General and Government Accountability Office reports pertaining to enumeration.
- Discussed Dallas region fraud case with the Office of Investigations and reviewed details of the case.
- Identified 40,345 survivor benefit claims filed nation-wide on behalf of 39,995 survivor beneficiaries where the primary wage earner had a date of death on the Master Beneficiary Record that occurred on or after January 1, 1996, and the survivor beneficiary was enumerated after the wage earner's death.
- Requested SSA's Office of Central Operations, Center for Material Resources provide copies of available SSA Form SS-5, *Application for a Social Security Card*, supporting 160 randomly selected enumerations associated with the 40,345 survivor benefit claims. SSA was able to provide all but five of the requested forms. We reviewed each available form and determined SSA documented acceptable evidence of identification and confirmed the forms were signed by both the applicant and the SSA employee processing the request.
- Tested SSA data to determine whether fraud indicators similar to the Dallas Region case appeared elsewhere in the population of survivor benefit claims paid to survivor beneficiaries enumerated after the death of the primary wage earner. Specifically, we
 - Analyzed all 292 records where the same Post Office box number was used by three or more beneficiaries (this group included three post office boxes used by 28 fictitious beneficiaries enumerated as part of the Dallas Region fraud).
 - Analyzed 191 additional records based on the following:
 - 36 records where SSA was currently paying survivor benefits to children born more than 287 days after the wage earner's death;
 - 5 records where a Prisoner Update Processing System record appeared on the wage earner's Master Beneficiary Record;

- 99 records where 6 or more beneficiaries had benefits deposited into the same bank account (this group included two accounts used by 18 fictitious beneficiaries enumerated as part of the Dallas Region fraud case); and
 - 51 records where SSA assigned representative payees to receive the benefit payments on behalf of beneficiaries of 3 or more deceased wage earners (this group included two payees representing nine fictitious beneficiaries enumerated as part of the Dallas Region fraud case).
- Retrieved and reviewed applicable Master Beneficiary Records, Numident Records, and Modernized Claim System evidence screens for selected claims.

We conducted our audit between June 2005 and January 2006 at SSA's Regional Office in Dallas, Texas. We did not test the general or application controls of SSA systems that generated electronic data used for this audit. Instead, we traced selected transactions to source documents and performed other validation tests. As a result, we found the data to be sufficiently reliable to meet our audit objectives. The entity audited was the Office of the Deputy Commissioner for Operations. We conducted this audit in accordance with generally accepted government auditing standards.

Appendix B

Survivor Benefits for Children Born More than 287 Days After Death of the Father

	Father's Date of Death	Child's Date of Birth	Difference in Days	Date Claim Approved	Monthly Benefit Amount	Benefits Paid Through Dec 05	Potential Future Payments ¹
IN VITRO FERTILIZATION CASES							
1	5/23/00	12/15/01	571	04/29/02	\$1,375	\$63,816	\$230,229
2	5/23/00	12/15/01	571	04/29/02	\$1,375	\$63,816	\$230,229
3	7/5/98	5/25/01	1,055	03/05/03	\$1,128	\$52,368	\$181,306
4	12/18/02	11/3/03	320	01/15/04	\$722	\$18,476	\$137,222
5	2/19/00	12/30/03	1,410	03/01/04	\$826	\$19,560	\$158,536
6	3/9/03	11/3/04	605	12/27/04	\$1,023	\$14,268	\$206,739
7	3/9/03	11/3/04	605	12/27/04	\$1,023	\$14,268	\$206,739
8	3/9/03	11/3/04	605	12/27/04	\$1,023	\$14,268	\$206,739
9	12/19/99	6/6/02	900	08/26/02	\$1,074	\$43,788	\$185,938
10	8/16/96	8/6/97	355	06/28/99	\$520 ²	\$43,896 ²	\$53,612 ²
11	5/5/96	05/14/99	1,104	10/27/99	\$800	\$50,375	\$109,071
12	5/5/96	05/14/99	1,104	10/27/99	\$800	\$50,375	\$109,071
13	3/29/01	10/6/02	556	10/25/02	\$2,000 ²	\$75,228 ²	\$330,276 ²
14	4/14/02	12/4/04	965	03/04/05	\$1,059	\$12,708	\$215,094
ADOPTION CASES							
1	4/11/00	11/14/01	582	07/02/04	\$516	\$10,216	\$85,873
2	10/14/97	10/10/98	361	10/05/01	\$738	\$40,076	\$95,377
LONG GESTATION CASES NOT ADEQUATELY SUPPORTED OR REVIEWED							
1	5/1/00	3/4/01	307	06/28/01	\$629	\$28,440	\$99,405
2	12/28/97	10/12/98	288	08/15/02	\$466	\$15,231	\$60,255
3	12/27/02	10/27/03	304	12/19/03	\$1,252 ²	\$31,600 ²	\$222,641 ²
4	1/28/01	11/29/01	305	02/04/04	\$357	\$10,488	\$59,588
5	6/30/97	5/18/98	322	03/12/99	\$301	\$24,656	\$37,465
6	10/12/97	8/8/98	300	11/16/98	\$714	\$58,404	\$90,796
7	11/17/01	9/21/02	308	04/23/03	\$308	\$10,010	\$54,407
8	11/23/03	9/28/04	310	05/11/05	\$1,210	\$30,976	\$243,098
CASES WITH UNRESOLVED DATE OF DEATH DISCREPANCIES							
1	01/31/96 ³	3/2/97	396	03/11/97	\$493	\$47,412	\$54,200
2	12/10/97 ⁴	8/1/03	2,060	05/07/05	\$866	\$ 7,794	\$161,914
						\$852,513	\$3,825,820
Total Benefits Paid Through December 2005 Plus Potential Future Payments							\$4,678,333

¹ Current benefits paid until child turns age 18. Surviving spouse payments cease when child is age 16.

² Includes payments to surviving spouse entitled solely as a result of caring for this child.

³ The father's Master Beneficiary Record shows a 01/1996 date of death; however, the father's Numident record shows a "09/XX/96" date of death.

⁴ The father's MBR shows a 12/10/1997 date of death; however, the father's Numident records show a 04/12/05 date of death.

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 05, 2006

Refer To: S1J-3

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

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Survivor Beneficiaries
Enumerated After the Wage Earner's Death" (A-06-05-25136)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "SURVIVOR BENEFICIARIES ENUMERATED AFTER THE WAGE EARNER'S DEATH" (A-06-05-25136)

Thank you for the opportunity to review and comment on the draft report. The Social Security Administration (SSA) is committed to paying all beneficiaries correctly and documenting the file to support the decision. Documentation policy is in place and we plan to communicate with our field offices (FO) to be especially aware of these survivor claims where a child was born more than 287 days after the death of the wage earner. Our responses to the specific recommendations are provided below.

Recommendation 1

SSA should review the claims associated with the 26 children born more than 287 days after the wage earner's death and refer any fraudulent cases to the Office of Investigations.

Response

We agree. We have a list of the cases and will determine what actions need to be taken. Fraudulent cases will be referred to OIG.

Recommendation 2

SSA should issue a reminder to field office staff to follow procedures for establishing dependency and obtaining applicable Regional Counsel's legal opinion on survivor benefit claims involving children born more than 287 days after the wage earner's death.

Response

We agree. We will remind FO employees to be more aware of these survivor claims and will provide additional guidance as needed.

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

Paul Davila, Director, (214) 767-6317

Ron Gunia, Audit Manager (214) 767-6620

Staff Acknowledgments

In addition to those named above:

Joshua Campos, Auditor-in-Charge

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OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

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