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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**SPOUSAL BENEFICIARIES WHO  
REPORTED THEY WERE ENTITLED  
TO A GOVERNMENT PENSION**

**March 2012                  A-09-10-21071**

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**AUDIT REPORT**

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## Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



## SOCIAL SECURITY

### MEMORANDUM

Date: March 21, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Spousal Beneficiaries Who Reported They Were Entitled to a Government Pension  
(A-09-10-21071)

### OBJECTIVE

To evaluate the effectiveness of the Social Security Administration's (SSA) controls and procedures over spousal beneficiaries who reported they would be entitled to a Government pension in the future.

### BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*.<sup>1</sup> This program provides monthly benefits to retired and disabled workers, including their dependents and survivors. Generally, Social Security benefits are reduced for spouses, divorced spouses, and surviving spouses who also receive a pension based on their own work for a Federal, State, or local government that was not covered by Social Security. The reduction, known as the government pension offset (GPO), is equal to two-thirds of the government pension.<sup>2</sup>

When individuals apply for spousal benefits, SSA asks whether they receive or expect to receive a pension based on earnings not covered by Social Security. Applicants who are not receiving a pension agree to promptly report when they receive their pension.<sup>3</sup> The Office of Personnel Management provides SSA monthly pension data to identify retired Federal employees for whom GPO should be imposed.<sup>4</sup> However, for State and local government employees, SSA does not receive pension data. Therefore, it relies

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<sup>1</sup> The *Social Security Act* § 201 et seq., 42 U.S.C. § 401 et seq.

<sup>2</sup> The *Social Security Act* § 202(k)(5), 42 U.S.C. § 402(k)(5), 20 C.F.R. § 404.408a.

<sup>3</sup> SSA, POMS, GN 02608.100 (effective June 22, 2011) and GN 02608.500 (effective November 6, 1996).

<sup>4</sup> SSA, POMS, GN 02608.301 (effective May 13, 1996).

on beneficiaries' self-reporting of pension information. For beneficiaries who are eligible for, but have not received, a Government pension, SSA records on its Master Beneficiary Record (MBR) the date the beneficiaries stated they expect to receive their pension.

In December 2009, we identified a population of 3,189 Title II beneficiaries who, according to SSA's MBR, had a pension entitlement date before December 2009. From this population, we selected a random sample of 100 spousal beneficiaries for review.

## **RESULTS OF REVIEW**

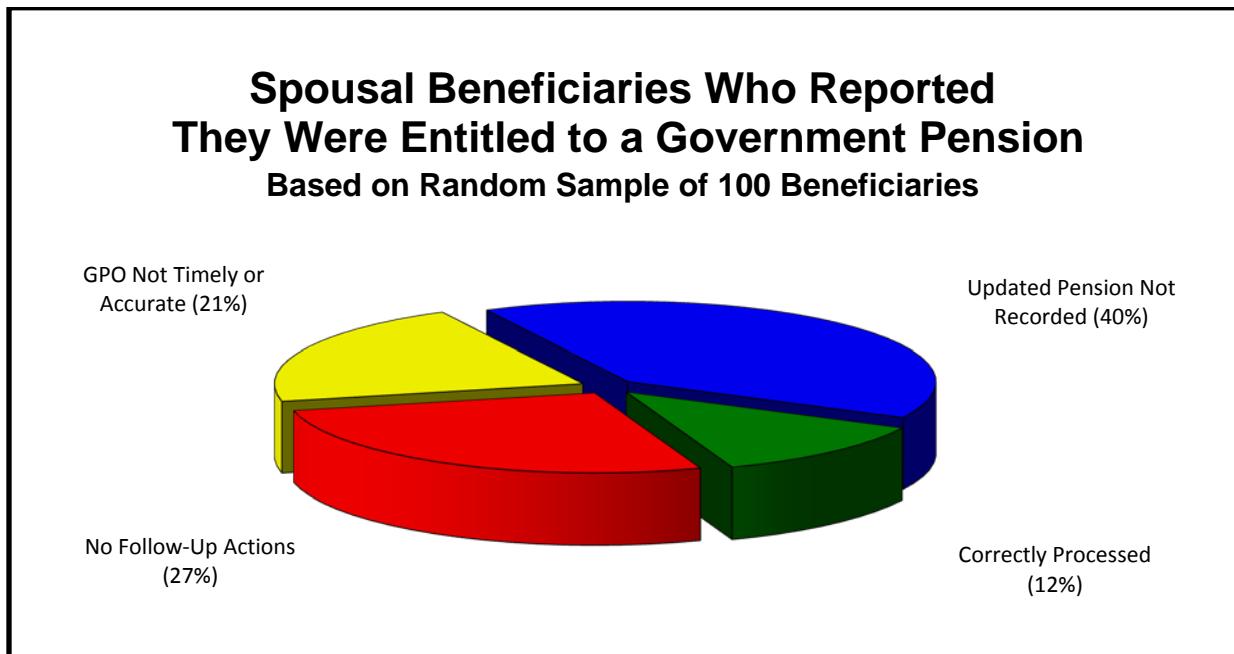
SSA needed to improve its controls and procedures to ensure GPO was timely and accurately applied. Specifically, we found that SSA did not (1) follow up with spousal beneficiaries who stated they would receive a pension in the future, (2) timely or accurately impose GPO, or (3) update the MBR with revised pension information provided by beneficiaries. Based on our random sample, we estimate that

- 255 beneficiaries were overpaid about \$6.6 million because SSA did not take follow-up actions after these individuals reported they would receive a pension,
- 670 additional beneficiaries were overpaid about \$6 million because GPO was not timely or accurately imposed, and
- 1,276 beneficiaries had incorrect pension information on the MBR (see Appendix C).

This occurred, in part, because SSA did not always monitor beneficiaries' pension entitlement dates or take prompt action to initiate GPO actions.

Of the 100 beneficiaries in our sample, we found that SSA did not follow up with 27 beneficiaries who stated they would receive a pension in the future. In addition, SSA did not timely or accurately impose GPO for 21 beneficiaries and update pension information on the MBR for 40 beneficiaries. For the remaining 12 beneficiaries, we found that SSA had correctly imposed GPO or updated the MBR with revised pension information provided by beneficiaries.

Our sample results are summarized below.



## SPOUSES WHO REPORT ENTITLEMENT TO FUTURE GOVERNMENT PENSION

When spousal beneficiaries notify SSA they are eligible for, but are not currently receiving, a Government pension, SSA awards benefits and records a future pension entitlement date on the MBR. In addition, SSA's automated system creates a diary that will mature when the pension entitlement date arrives.<sup>5</sup> SSA must then determine whether the beneficiaries have started to receive their Government pension.<sup>6</sup> SSA employees are required to contact the beneficiary or pension provider, verify the pension amount and payment date, and determine the offset amount. If beneficiaries state they are still not receiving their Government pension, SSA should obtain a revised future pension entitlement date, establish a new diary, and update the MBR with the new pension information.<sup>7</sup>

Finally, as an additional control, SSA's Regular Transcript Attainment and Selection Pass (RETAP) generates an alert about 1 month before the pension entitlement date and follow-up alerts every 90 days until the pension entitlement date has been updated or removed from the MBR.

<sup>5</sup> SSA, POMS, GN 01040.005 (effective May 20, 2011) and GN 01010.260 (effective November 10, 2011).

<sup>6</sup> SSA, POMS, GN 02608.100 (effective June 22, 2011) and GN 01070.325 (effective May 21, 2007).

<sup>7</sup> SSA, POMS, GN 02608.100 (effective June 22, 2011) and GN 02608.200 (effective April 1, 2011).

### **SSA Follow-up Actions to Obtain Government Pension Information**

SSA did not follow up with 27 beneficiaries who applied for spousal benefits and stated they would receive a pension in the future. This occurred because SSA did not have any pending diaries or RETAP alerts to monitor these beneficiaries' future pension entitlement. Since they may have already started receiving their pensions, we referred these cases to SSA for corrective action. SSA subsequently contacted the beneficiaries or pension providers to determine whether GPO should apply. As of November 2011, SSA had determined that nine beneficiaries had been receiving their pensions. Of these, eight were overpaid \$208,112 because of GPO and one was correctly processed. In addition, SSA learned that 12 had not yet received their pensions. As a result, SSA obtained new pension entitlement dates or established diaries to recontact these beneficiaries. SSA also determined that five beneficiaries were exempt from GPO. Finally, SSA suspended payments for one beneficiary who had refused to provide the requested information.

In May 2007, SSA modified RETAP to identify beneficiaries with future pension entitlement dates on the MBR. Each month, RETAP reviews the MBR and generates alerts to contact these beneficiaries about 1 month before their pension entitlement date. According to SSA policy, RETAP also generates follow-up alerts every 90 days until the pension entitlement date is updated or removed from the MBR. However, our review disclosed that RETAP only generated two follow-up alerts—at 90 and 180 days. In addition, we found that RETAP did not generate any alerts for beneficiaries with pension entitlement dates before May 2007. The 27 beneficiaries in our sample had pension entitlement dates from November 2004 to July 2009.

For example, in January 2005, SSA awarded \$873 in monthly benefits to a divorced spouse. The beneficiary notified SSA that she would receive a Government pension in July 2005. Our review disclosed that RETAP had not generated any alerts, and there were no diaries to notify SSA employees the beneficiary may be receiving a pension. We referred the case to SSA in April 2011. SSA subsequently contacted the beneficiary and pension provider and learned the spouse had started receiving her pension in July 2008. As a result, the beneficiary was overpaid \$36,257.

### **Government Pension Offset Not Timely or Accurately Imposed**

SSA had not imposed GPO timely or accurately for 21 of the 100 beneficiaries in our sample. Although SSA generally took corrective action to process the GPO actions, the amount of time from the pension entitlement date to the date SSA imposed GPO was, on average, about 13 months.<sup>8</sup> As a result, SSA overpaid these beneficiaries \$188,022.

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<sup>8</sup> The mean was 13 months. The median was 9 months.

For all 21 beneficiaries, we found that SSA did not impose GPO timely. For example, in April 2006, SSA awarded \$855 in monthly benefits to a surviving spouse. The beneficiary notified SSA that she would receive a Government pension in May 2006. However, SSA did not follow up with the beneficiary, as required. In March 2011, the beneficiary notified SSA that she had actually received her Government pension in May 2009. As a result, SSA overpaid the beneficiary \$16,324 over a 22-month period.

For 3 of the 21 beneficiaries, we found that SSA incorrectly imposed GPO. For example, in August 2004, SSA awarded \$1,285 in monthly benefits to a surviving spouse. In October 2009, the beneficiary notified SSA that she received a Government pension in April 2008. In February 2010, SSA imposed GPO and established a \$19,346 overpayment. However, an SSA employee incorrectly removed the GPO in April 2010. We referred this case to SSA in October 2011. As a result, SSA re-imposed GPO and established a \$33,189 overpayment.

### **Updated Pension Information Not Recorded on MBR**

SSA did not update the MBR with revised pension information for 40 of the 100 beneficiaries in our sample. This consisted of 35 beneficiaries who reported they would receive their pension at a future date and 5 beneficiaries whom SSA determined were exempt from GPO.

New Pension Entitlement Dates – We found that SSA contacted 35 beneficiaries and learned that the beneficiaries were not yet receiving their pensions. Therefore, SSA established new diaries for follow-up contact with the beneficiaries. However, SSA did not update the MBR with new pension entitlement dates. As a result, RETAP did not alert these cases for further action.

For example, in March 2007, SSA awarded \$1,266 in monthly benefits to a surviving spouse. The beneficiary notified SSA that she would receive a Government pension in January 2009. SSA established a diary and sent a letter to the beneficiary when the diary matured. At that time, the beneficiary notified SSA that she would not receive her Government pension until June 2010. The beneficiary subsequently notified SSA that she would not receive her Government pension until September 2012. SSA established diaries for each revision but did not update the MBR to reflect the new pension entitlement dates. Since the MBR still reflects the original pension entitlement date of January 2009, RETAP will not generate any future alerts.

Government Pension Offset or Exemption Applied – For five beneficiaries, SSA determined that GPO should be imposed or an exemption applied but did not delete the future pension entitlement date from the MBR. As a result, SSA's payment records contained inaccurate information for these beneficiaries. Since RETAP generates alerts for beneficiaries with future pension entitlement dates, SSA should remove the pension entitlement date from the MBR to prevent any unnecessary alerts for these beneficiaries.

## CONCLUSION AND RECOMMENDATIONS

SSA needed to improve its controls and procedures to ensure GPO was timely and accurately applied. This occurred, in part, because SSA did not always monitor its beneficiaries' pension entitlement dates or take prompt action to initiate GPO actions. Based on our random sample, we estimate that (1) 255 beneficiaries were overpaid about \$6.6 million because SSA did not take follow up actions after these individuals reported they would receive a pension, (2) 670 additional beneficiaries were overpaid about \$6 million because GPO was not timely or accurately imposed, and (3) 1,276 beneficiaries had incorrect pension information on the MBR (see Appendix C).

The following recommendations will allow SSA to identify the population of spousal beneficiaries who are overpaid because they are receiving a Government pension. They will also improve controls to prevent overpayments from occurring in the future.

We recommend that SSA:

1. Identify and take corrective action, as appropriate, for the population of beneficiaries who have a pension entitlement date before May 2007.
2. Ensure RETAP generates follow-up alerts until the future pension entitlement date on the MBR is updated or removed.
3. Remind employees to update the MBR when the future pension entitlement date has changed.

## AGENCY COMMENTS

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



Patrick P. O'Carroll, Jr.

# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Sampling Methodology and Results

[APPENDIX D](#) – Agency Comments

[APPENDIX E](#) – OIG Contacts and Staff Acknowledgments

## ***Appendix A***

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### **Acronyms**

C.F.R.	Code of Federal Regulations
GPO	Government Pension Offset
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RETAP	Regular Transcript Attainment and Selection Pass
SSA	Social Security Administration
U.S.C.	United States Code

# **Scope and Methodology**

We obtained a data extract from the Social Security Administration's (SSA) Master Beneficiary Record (MBR). From this extract, we identified a population of 3,189 spousal beneficiaries who had a pension entitlement date before December 2009. We selected a random sample of 100 beneficiaries from the population to review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, Federal regulations, SSA's Program Operations Manual System, and other policy memorandums;
- interviewed SSA employees from the San Francisco Regional Office and the Offices of Public Services and Operations Support and Retirement and Survivors Insurance Systems;
- reviewed queries from SSA's MBR and Payment History Update System for each sample item; and
- obtained and reviewed electronic folders, including the Claims File Record Management System, Paperless, and Online Retrieval System, to determine the nature and extent of the actions taken by SSA.

We determined the computer-processed data from the MBR 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 audit work in Richmond, California, and Baltimore, Maryland, between March and November 2011. The entities reviewed were the Deputy Commissioners for Operations and Systems.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# **Sampling Methodology and Results**

In December 2009, we obtained a data extract from the Social Security Administration's (SSA) Master Beneficiary Record (MBR) of spousal beneficiaries who had a pension entitlement date before December 2009. From this extract, we identified a population of 3,189 spousal beneficiaries. We selected a random sample of 100 beneficiaries to determine the effectiveness of SSA's controls and procedures over spouses who reported they would be entitled to a Government pension in the future.

Based on our random sample, we found that SSA did not follow up with 27 beneficiaries who stated they would receive a pension in the future. In addition, SSA did not timely or accurately impose government pension offset (GPO) for 21 beneficiaries and update pension information on the MBR for 40 beneficiaries.

Projecting these results to our population of 3,189 beneficiaries, we estimate that (1) 255 beneficiaries were overpaid about \$6.6 million because SSA did not take follow-up actions after these individuals reported they would receive a pension, (2) 670 beneficiaries were overpaid about \$6 million because GPO was not timely or accurately imposed, and (3) 1,276 beneficiaries had incorrect pension information on the MBR.

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

**Table C-1 – Population and Sample Size**

Description	Number of Beneficiaries
Population Size	3,189
Sample Size	100

**Table C-2 – SSA Follow-up Actions to Obtain Government Pension Information**

Description	Number of Beneficiaries	Amount of Overpayments
Sample Results	8	\$208,112
Point Estimate	255	\$6,636,676
Projection - Lower Limit	131	\$1,177,417
Projection - Upper Limit	442	\$12,095,934

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

**Table C-3 – Government Pension Offset Not Timely or Accurately Imposed**

Description	Number of Beneficiaries	Amount of Overpayments
Sample Results	21	\$188,022
Point Estimate	670	\$5,996,034
Projection - Lower Limit	467	\$2,805,983
Projection - Upper Limit	915	\$9,186,085

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

**Table C-4 – Updated Pension Information Not Recorded on MBR**

Description	Number of Beneficiaries
Sample Results	40
Point Estimate	1,276
Projection - Lower Limit	1,017
Projection - Upper Limit	1,548

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

## ***Appendix D***

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

Date: March 13, 2012 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, "Spousal Beneficiaries Who Reported They Were Entitled to a Government Pension" (A-09-10-21071)—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 Teresa Rojas, at (410) 966-7284.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“SPOUSAL BENEFICIARIES WHO REPORTED THEY WERE ENTITLED TO A  
GOVERNMENT PENSION” (A-09-10-21071)**

**Recommendation 1**

Identify and take corrective action, as appropriate, for the population of beneficiaries who have a pension entitlement date before May 2007.

**Response**

We agree.

**Recommendation 2**

Ensure RETAP generates follow-up alerts until the future pension entitlement date on the MBR is updated and removed.

**Response**

We agree.

**Recommendation 3**

Remind employees to update the MBR when the future pension entitlement date has changed.

**Response**

We agree.

## ***Appendix E***

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# OIG Contacts and Staff Acknowledgments

### **OIG Contacts**

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Andrew Hanks, Program Analyst

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-09-10-21071.

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Social Security Advisory Board

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OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

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