

Office of the Inspector General

September 27, 2000

William A. Halter
Deputy Commissioner
of Social Security

Inspector General

Conversion of Benefits for Spouses After the Death of a Wage Earner (A-09-99-62009)

The attached final report presents the results of our audit. The objective of the audit was to determine whether the Social Security Administration has adequate controls over the conversion of benefits to ensure that spouses receive the highest benefit due after the death of a wage earner.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. 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.

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CONVERSION OF BENEFITS
FOR SPOUSES AFTER THE
DEATH OF A WAGE EARNER**

September 2000

A-09-99-62009

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.**
- **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.

EXECUTIVE SUMMARY

OBJECTIVE

The objective of this audit was to determine whether the Social Security Administration (SSA) has adequate controls over the conversion of benefits to ensure that spouses receive the highest benefit due after the death of a wage earner.

BACKGROUND

The Social Security Act (Act) provides benefits to spouses and divorced spouses of retired or disabled workers. The Act also provides benefits to surviving spouses and surviving divorced spouses of retired or disabled workers. In addition, a divorced spouse of a nonbeneficiary is eligible for benefits under certain conditions. These individuals, called independently entitled divorced spouses, may receive benefits even though the worker is not retired or disabled. Generally, survivor benefits are about twice as much as spousal benefits.

SSA relies on its automated systems to terminate payments to deceased beneficiaries, convert eligible spouses to surviving spouses, and adjust benefits after the death of a wage earner. In most cases, these actions are processed automatically. However, when SSA's automated systems are unable to perform such actions, alerts and exceptions are generated. Actions that are partially processed by SSA's automated systems result in alerts while those that cannot be processed at all result in exceptions. Both alerts and exceptions require manual processing in order to complete the actions.

Upon receipt of a death report, field offices (FO) and processing centers (PC) enter the death information into SSA's automated systems. The Terminating, Attainments, Transfers, and Terminations program processes the termination and conversion actions. The Death Alert, Control, and Update System (DACUS) matches the death reports against SSA's payment records to detect and prevent erroneous payments. The Regular Transcript, Attainment, and Selection Pass (RETAP) program extracts data from SSA's beneficiary records and generates alerts for subsequent review.

In September 1998, SSA identified 804 individuals who received benefits as spouses or divorced spouses but may have been entitled to higher benefits as surviving spouses or surviving divorced spouses. As of December 16, 1999, SSA had converted 700 beneficiaries from spouses to surviving spouses and paid underpayments to these individuals. Another 72 cases did not involve underpayments but required the deletion of erroneous death data on SSA's beneficiary records. Also, 18 cases were correctly processed and 14 cases were pending development at the PCs.

RESULTS OF REVIEW

SSA conducted a special project and determined that spouses and divorced spouses did not always receive the highest benefit due after the death of a wage earner. The project disclosed that SSA needs more effective controls to: (1) detect and prevent errors in converting spouses to surviving spouses upon the death of a beneficiary, and (2) identify independently entitled divorced spouses who were eligible for higher benefits upon the death of a nonbeneficiary.

As a result, SSA paid underpayments totaling \$22.3 million to 700 beneficiaries as of December 16, 1999. The average underpayment was \$31,921 and 15 underpayments were over \$100,000. In addition, because SSA's special project was limited to beneficiaries in current pay status, there are other spouses and divorced spouses who died prior to identification by the Agency, resulting in potential underpayments to their relatives or estates.

CONCLUSIONS AND RECOMMENDATIONS

Although we commend SSA for identifying and resolving the underpayments, the Agency could improve its controls to ensure that spousal benefits are properly converted to survivor benefits after the death of a wage earner. These controls should address spouses and divorced spouses of deceased beneficiaries and independently entitled divorced spouses of deceased workers who have not applied for benefits. Accordingly, we believe that systems enhancements are necessary to detect and prevent underpayments and provide reasonable assurance that all spouses and divorced spouses receive the maximum benefits to which they are entitled. Therefore, we recommend that SSA:

- Modify RETAP to identify all individuals receiving benefits as spouses or divorced spouses of deceased beneficiaries.
- Review these cases and take appropriate action to convert benefits for spouses and divorced spouses after the death of a wage earner.
- Modify DACUS to identify all individuals receiving benefits as independently entitled divorced spouses of deceased workers who have not applied for benefits.
- Verify death information for these nonbeneficiaries and take appropriate action to convert benefits for independently entitled divorced spouses after the death of a wage earner.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. SSA acknowledged that modifications to RETAP are needed to enhance controls over the conversion of benefits and ensure that spouses (including those in suspended payment status) receive the

highest benefit after the death of a wage earner. SSA is currently in the process of determining what modifications are needed, developing the output format, and resolving how FOs will process and review the output. SSA estimates these issues will be resolved by December 2000 and RETAP will be modified within 90 days thereafter. SSA agreed to review the cases identified by the modifications to RETAP and ensure that appropriate action is taken to convert benefits for spouses and divorced spouses after the death of a wage earner.

Beginning September 30, 2000, SSA agreed to implement modifications to DACUS (Release 2) to identify and generate alerts for all individuals receiving benefits as independently entitled divorced spouses of deceased workers who have not applied for benefits. Upon receipt of a death report for a wage earner who has not yet filed for Old-Age, Survivors and Disability Insurance (OASDI) benefits, DACUS will: (1) search the Master Beneficiary Record (MBR) for any independently entitled divorced spouses on the worker's earnings record; and (2) generate an alert to the field office to convert eligible payments to survivor benefits. SSA stated that it would issue interim instructions for the FOs before this workload is generated.

SSA also provided technical comments that have been incorporated into the final report. The full text of SSA's comments is included in Appendix B.

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INTRODUCTION

OBJECTIVE

The objective of this audit was to determine whether the Social Security Administration (SSA) has adequate controls over the conversion of benefits to ensure that spouses receive the highest benefit due after the death of a wage earner.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under title II of the Social Security Act (Act). The Act provides benefits to spouses of retired or disabled workers.¹ Such benefits are payable if the spouses are age 62 or over or have a child of the worker in their care who is under age 16 or disabled.

The Act also provides benefits to divorced spouses of retired or disabled workers.² Such benefits are payable if the divorced spouse is age 62 or over and was married to the worker for at least 10 years before the divorce became final. Furthermore, if the worker is age 62 or over, a divorced spouse may receive benefits even though the worker is not retired or disabled. These individuals, called independently entitled divorced spouses, are eligible for benefits if they are age 62 or over, were married to the worker for at least 10 years, and have been divorced for at least 2 years.

In addition, the Act provides benefits to surviving spouses (i.e., widows and widowers) of retired or disabled workers.³ Upon the death of the worker, such benefits are payable if the surviving spouses are age 60 or over, are disabled and age 50 or over, or have a child of the worker in their care who is under age 16 or disabled.

The Act also provides benefits to surviving divorced spouses of retired or disabled workers.⁴ Upon the death of the worker, such benefits are payable if the surviving divorced spouse was married to the worker for at least 10 years before the divorce became final. The surviving divorced spouses must be age 62 or over or have an eligible child of the worker in their care.

¹ Section 202(b)(1), 42 U.S.C. § 402(b)(1) and Section 202(c)(1), 42 U.S.C. § 402(c)(1).

² *Ibidem.*

³ Section 202(e)(1), 42 U.S.C. § 402(e)(1); Section 202(f)(1), 42 U.S.C. § 402(f)(1); and Section 202(g)(1), 42 U.S.C. § 402(g)(1).

⁴ *Ibidem.*

Computation of Social Security Benefits

The primary insurance amount (PIA) is the amount from which all Social Security benefits payable on a worker's earnings record are derived, including monthly benefits for workers and their dependents and survivors. The PIA is based on a worker's average lifetime earnings and represents the maximum amount payable at the full retirement age.⁵ Reduced benefits are available based on the number of months for which benefits were received prior to the full retirement age.

Generally, survivor benefits are about twice as much as spousal benefits. At their full retirement age, spouses and divorced spouses are entitled to receive 50 percent of the worker's PIA. For early retirement of the spouse at age 62, benefits are reduced to 37.5 percent of the worker's PIA. However, at their full retirement age, surviving spouses and surviving divorced spouses are entitled to receive 100 percent of the worker's PIA. For early retirement of the surviving spouse at age 60, benefits are reduced to 71.5 percent of the worker's PIA.

Unlike retirement benefits, spousal and survivor benefits are not earned benefits. As a result, individuals may become entitled to benefits both as a retired worker and as the spouse or survivor of another worker (i.e., their husband or wife). Although these individuals are "dually entitled" on two earnings records, they do not receive the sum of both benefits. Instead, they receive a benefit equal to the higher of (1) their own retirement benefit, or (2) their spousal or survivor benefit.

Reporting and Processing of Death Information

SSA receives reports of death from various sources, such as friends and relatives, funeral homes, financial institutions, postal authorities, and Federal and State agencies. Upon receipt of a death report, SSA is required to take prompt action to terminate benefits to the deceased individual and recover any payments made after the date of death. SSA is also required to recalculate payments to other individuals who may be eligible for higher benefits. These actions, called conversions, are necessary to ensure that individuals receive the maximum benefits to which they are entitled.

SSA relies on its automated systems to terminate payments to deceased beneficiaries, convert eligible spouses to surviving spouses, and adjust benefits after the death of a wage earner. In most cases, these actions are processed automatically. However, when SSA's automated systems are unable to perform such actions, alerts and exceptions are generated. Actions that are partially processed by SSA's automated systems result in alerts while those that cannot be processed at all result in exceptions. Both alerts and exceptions require manual processing in order to complete the actions.

⁵ For the period covered by our audit, the full retirement age was age 65. However, beginning in 2000, the full retirement age will be gradually increased until it reaches age 67 in 2022.

Field offices (FO) and processing centers (PC) are responsible for entering the death information into SSA's automated systems. For beneficiaries, death information is recorded on the Master Beneficiary Record (MBR), a master file that contains payment data about each individual who has received Social Security benefits. For beneficiaries and nonbeneficiaries, death information is recorded on the Numident, a master file that contains personal identifying data about each individual who has been issued a Social Security number.

The Death Alert, Control, and Update System (DACUS) matches the death reports against SSA's payment records to detect and prevent erroneous payments after death. DACUS compares the death information received from external and internal sources to the MBR and Numident. If payments have been made after the death of the beneficiary or there is conflicting information about the date of death, DACUS generates an alert. DACUS is programmed to identify deceased beneficiaries, not independently entitled divorced spouses of deceased nonbeneficiaries. FOs are responsible for resolving alerts, verifying deaths, and updating records, as appropriate.

The Terminating, Attainments, Transfers, and Terminations (TATTER) program processes the death termination actions and converts eligible spouses to surviving spouses after the death of the wage earner. TATTER also adjusts payment amounts for all individuals receiving benefits on the earnings record of the deceased wage earner. However, for complex cases (e.g., dually entitled spouses receiving benefits on more than one earnings record), TATTER generates an exception. In these instances, TATTER is unable to process the conversion actions. PCs are responsible for resolving exceptions, updating records, and adjusting benefits, as appropriate.

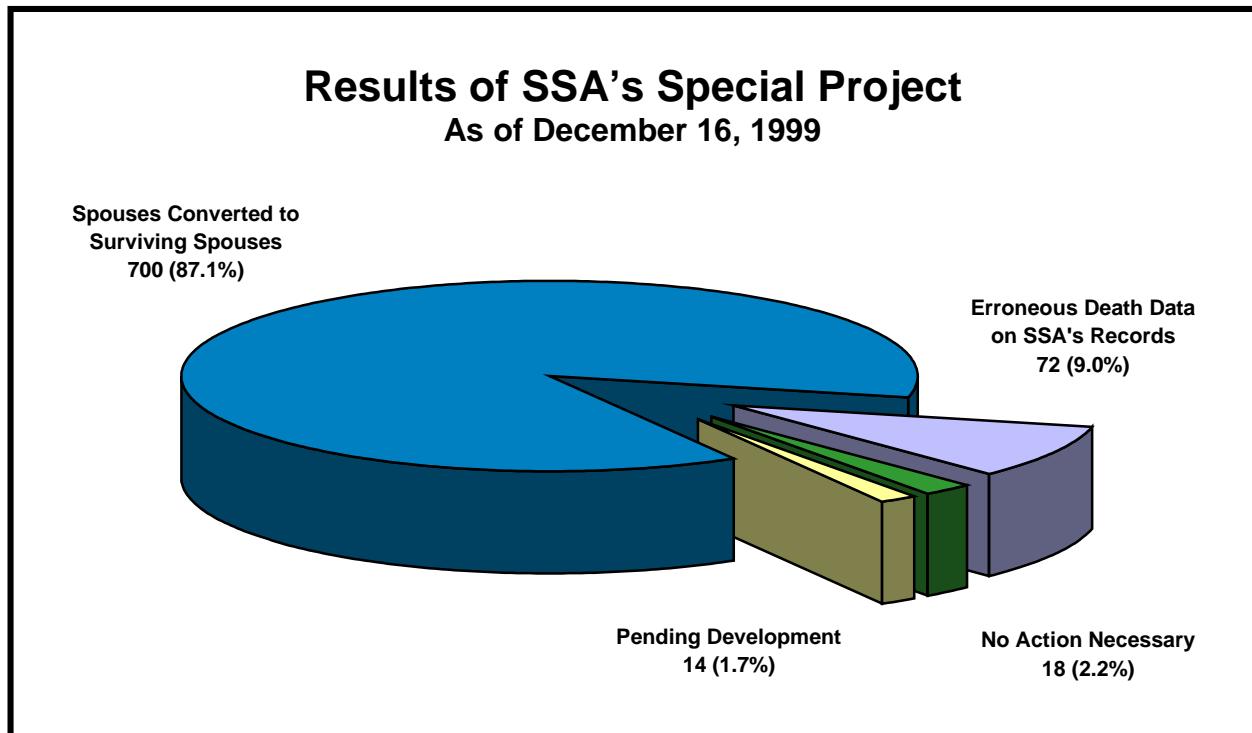
SSA uses a beneficiary identification code (BIC) to identify each type of beneficiary on the MBR. For example, spouses are assigned a BIC of "B" while aged surviving spouses are assigned a BIC of "D" and young surviving spouses with a child in-care are assigned a BIC of "E."

Identification of Spouses with Deceased Wage Earners

In September 1998, SSA's Office of Research, Evaluation, and Statistics (ORES) identified 804 individuals in current pay status who received OASDI benefits as spouses or divorced spouses but may have been entitled to higher benefits as surviving spouses or surviving divorced spouses.⁶ Although SSA recorded a date of death for the wage earner on the MBR or Numident, the spousal benefits had not been converted to survivor benefits. ORES subsequently referred these individuals to SSA's Office of Quality Assurance and Performance Assessment (OQA) for review.

⁶ In June 1999, we provided comments to SSA on the selection criteria used by ORES to identify spouses who had not been converted to surviving spouses after the death of the wage earner. In July 1999, ORES identified an additional 340 individuals who received OASDI benefits as spouses or divorced spouses but may have been entitled to higher benefits as surviving spouses or surviving divorced spouses. These cases were not included as part of our audit.

In March 1999, OQA referred the 804 cases to the PCs for development. As of December 16, 1999, SSA had converted 700 beneficiaries from spouses to surviving spouses and paid underpayments to these individuals. Another 72 cases did not involve underpayments but required the deletion of erroneous death data on the MBR or Numident. Also, 18 cases were correctly processed and, therefore, did not require any further action. An additional 14 cases were pending development at the PCs. The results of SSA's special project are summarized below.



SCOPE AND METHODOLOGY

To accomplish our objective, we:

- reviewed the applicable sections of the Act and SSA's Program Operations Manual System;
- obtained queries from the MBR and Payment History Update System for selected beneficiaries;
- conducted interviews with SSA employees from six PCs, including Northeastern program service center (PSC), Mid-Atlantic PSC, Great Lakes PSC, Western PSC, Mid-America PSC, and Office of Disability and International Operations (ODIO);⁷

⁷ Renamed as the Office of Central Operations.

- conducted interviews with SSA employees from various Headquarters components, including OQA, ORES, Office of Program Benefits, Office of Systems Requirements, and Office of Public Service and Operations Support;
- obtained a legal opinion about SSA's potential liability to pay underpayments to the estates or relatives of deceased beneficiaries;
- obtained information about the processing of death information for beneficiaries and nonbeneficiaries through DACUS and TATTER; and
- reviewed the selection criteria used by ORES to identify spouses who had not been converted to surviving spouses after the death of the wage earner.

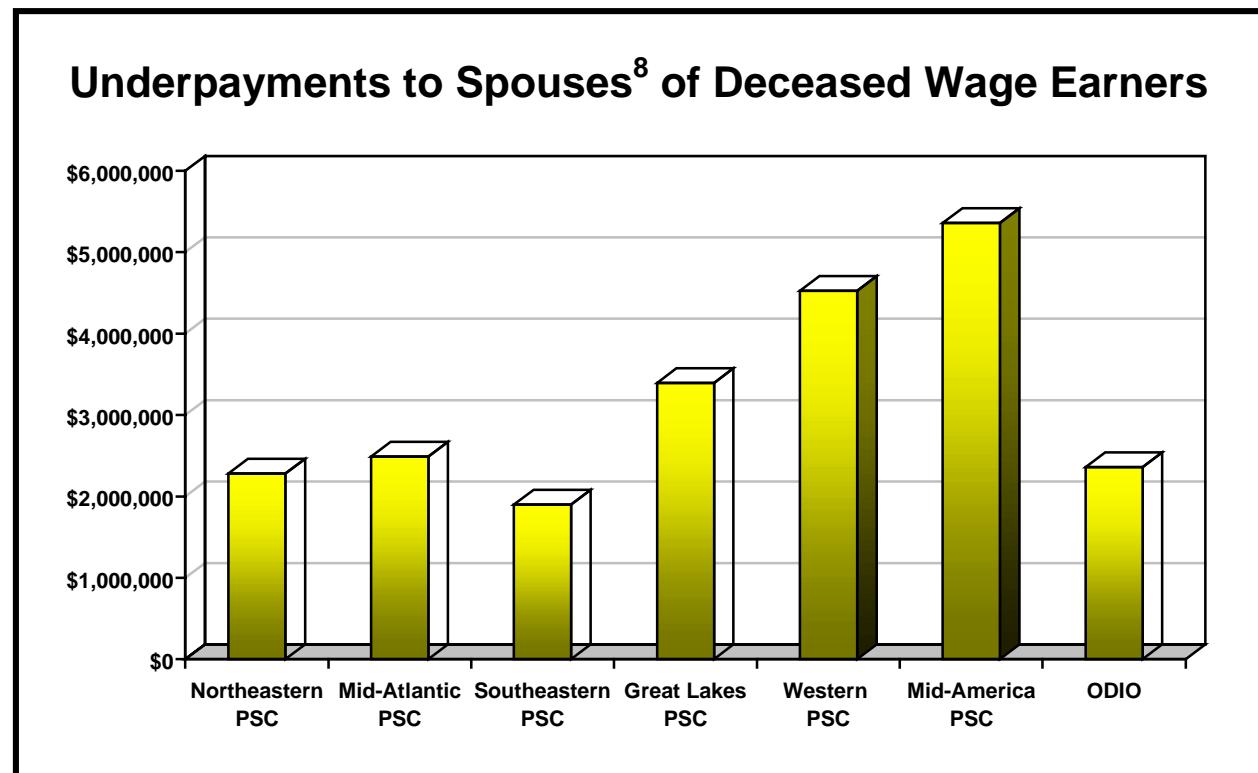
The scope of our audit was limited to SSA's controls and procedures necessary to convert benefits for spouses and divorced spouses after the death of a wage earner. Specifically, we reviewed the results of SSA's special project to identify spouses receiving benefits on the earnings records of deceased wage earners, process conversion actions for eligible surviving spouses, and pay underpayments to these individuals as of December 1999. Because SSA only retained summarized data for the project, we did not verify the accuracy of that information.

We performed audit work in Baltimore, Maryland, and Richmond, California, between April and December 1999. We conducted our audit in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

SSA conducted a special project and determined that spouses and divorced spouses did not always receive the highest benefit due after the death of a wage earner. The project disclosed that SSA needs more effective controls to: (1) detect and prevent errors in converting spouses to surviving spouses upon the death of a beneficiary; and (2) identify independently entitled divorced spouses who were eligible for higher benefits upon the death of a nonbeneficiary.

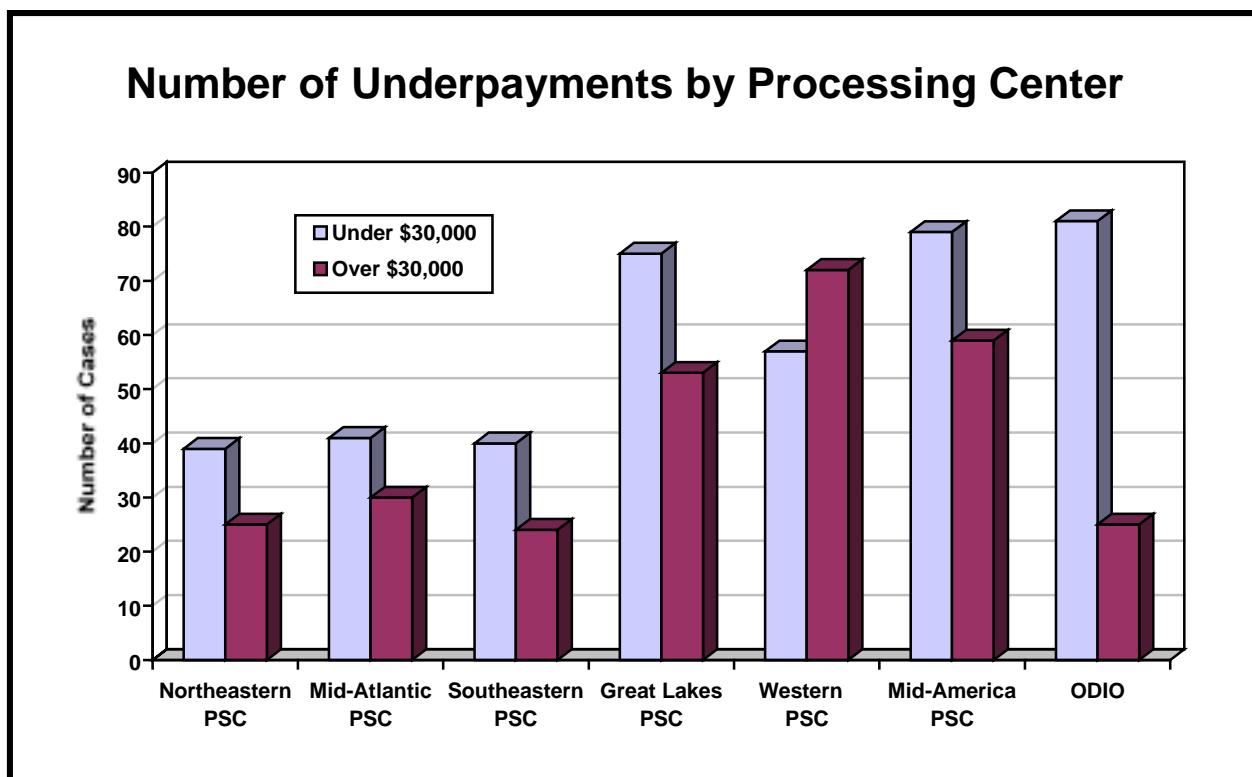
As a result, SSA paid underpayments totaling \$22.3 million to 700 beneficiaries as of December 16, 1999. The average underpayment was \$31,921 and 15 underpayments were over \$100,000. In addition, because SSA's special project was limited to beneficiaries in current pay status, there are other spouses and divorced spouses who died prior to identification by the Agency, resulting in potential underpayments to their relatives or estates. The following chart provides a distribution of the total underpayments.



⁸ Underpayments to spouses include divorced spouses and independently entitled divorced spouses.

DELAYS IN CONVERSION OF BENEFITS RESULTED IN UNDERPAYMENTS

In September 1998, SSA identified 804 spouses and divorced spouses in current pay status with deceased wage earners on the MBR or Numident. Of this amount, 684 represented spouses and divorced spouses of deceased beneficiaries and 120 represented independently entitled divorced spouses of deceased workers who had not applied for benefits. A total of 700 of these individuals were entitled to higher benefits as surviving spouses or surviving divorced spouses.⁹ The underpayments went undetected due to processing errors at the PCs and limitations in SSA's automated systems. A breakdown of these underpayments is depicted below.¹⁰



Spouses and Divorced Spouses of Deceased Beneficiaries

SSA needs to improve controls over the conversion of benefits for spouses and divorced spouses after the death of a wage earner. The results of SSA's special project disclosed that 684 of the 804 individuals (85.1 percent) consisted of spouses and

⁹ For the remaining 104 cases, 72 contained erroneous death data which did not affect benefit payments, 18 were correctly processed and did not require any further action, and 14 were pending development as of December 16, 1999.

¹⁰ Underpayments below \$30,000 are processed by SSA's automated systems while those above \$30,000 require manual processing by PC employees.

divorced spouses of deceased beneficiaries. Because SSA's automated systems were not programmed to identify errors in converting eligible spouses to surviving spouses upon the death of a beneficiary, these individuals did not receive the maximum benefits to which they were entitled.

TATTER processes death termination actions and converts eligible spouses to surviving spouses after the death of the wage earner. TATTER also adjusts payment amounts for all individuals receiving benefits on the earnings record of the deceased wage earner. In most cases, these actions are processed automatically. However, for complex cases, TATTER is unable to process the conversion actions. These cases include wage earners with multiple spouses (i.e., a spouse and one or more divorced spouses) and dually entitled spouses receiving benefits on more than one earnings record. As a result, TATTER generates an exception and neither converts nor adjusts benefits in such instances.

These exceptions require PC employees to manually process conversion actions and recalculate benefit payments. SSA determined that PC employees did not take prompt corrective action to resolve the exceptions. Specifically, these exceptions were either: (1) not filed in the deceased worker's case folder, (2) filed in the case folder but not routed for review, (3) discarded because no action was deemed necessary, or (4) partially processed (e.g., benefits were converted for the current spouse but not the divorced spouse). Since the exceptions were not resolved in a timely manner, the spouses and divorced spouses continued to receive spousal benefits rather than survivor benefits until the conversion actions were subsequently processed.

For example, one spouse was underpaid \$147,189 over a 21-year period. Her husband died in May 1978. Although his benefits were promptly terminated, her benefits were not converted from spouse to surviving spouse until April 1999, when the error was identified by OQA. At the time of his death, she was dually entitled (i.e., receiving benefits on her earnings record and that of her husband). Because TATTER was unable to process conversion actions for dually entitled spouses, her benefits were not adjusted. Instead, TATTER generated an exception for manual processing. However, PC employees did not resolve the exception nor adjust her benefits. No follow-up alerts were generated by SSA's automated systems. Consequently, the error went undetected for 21 years. On April 22, 1999, SSA paid an underpayment of \$147,189.

Our audit disclosed that an automated edit check could have readily detected the 684 spouses and divorced spouses of deceased beneficiaries. For these individuals, the MBR contained a BIC of "B," which identified them as spouses and divorced spouses of living beneficiaries. However, according to the MBR, the wage earners were deceased. Therefore, the spouses and divorced spouses should have been converted to a BIC of "D" (for aged surviving spouses) or "E" (for young surviving spouses with a child in-care). Since the MBR for the wage earners indicated they were deceased and the BICs for the spouses and divorced spouses indicated the wage earners were still alive, the MBR contained contradictory information for these individuals.

SSA employees informed us that the Regular Transcript, Attainment, and Selection Pass (RETAP) program is designed to extract data from the MBR and generate alerts for subsequent review. SSA employees¹¹ agreed that RETAP could be used to detect and prevent errors involving conversion of benefits for spouses and divorced spouses. Using the information on the MBR, such a program could identify individuals receiving spousal benefits on the earnings records of deceased beneficiaries and notify PCs to process conversion actions and award survivor benefits.

We believe that SSA needs to take corrective action to reduce the potential for underpayments, adverse publicity, and legal challenges. Additional controls are required to avoid unnecessary delays in manual processing of conversion actions. Therefore, we recommend that SSA modify RETAP to identify all individuals receiving benefits as spouses or divorced spouses of deceased beneficiaries. SSA should also review these cases and take appropriate action to convert benefits for spouses and divorced spouses after the death of a wage earner.

Independently Entitled Divorced Spouses of Deceased Workers

SSA needs to improve controls over the conversion of benefits for independently entitled divorced spouses after the death of a wage earner. The results of SSA's special project disclosed that 120 of the 804 individuals (14.9 percent) consisted of independently entitled divorced spouses of deceased workers who had not applied for benefits. Because SSA's automated systems were unable to identify independently entitled divorced spouses who were eligible for higher benefits upon the death of a nonbeneficiary, these individuals did not receive the maximum benefits to which they were entitled.

When a death report is received, FOs and PCs enter the death information into SSA's automated systems. For beneficiaries, death information is recorded on the MBR and Numident. For nonbeneficiaries, death information is recorded on the Numident only. DACUS performs a computer match to compare the death information to SSA's payment records. If payments have been made after the death of the beneficiary or there is conflicting information about the date of death, DACUS generates an alert. Follow-up alerts are generated every 30 days. These alerts require FO employees to verify death information to detect and prevent erroneous payments.

If the worker is age 62 or over, a divorced spouse of a nonbeneficiary is independently entitled to benefits if age 62 or over, married to the worker for at least 10 years, and divorced for at least 2 years. Although DACUS is programmed to identify whether deceased workers are receiving benefits, it is not programmed to identify whether other individuals (e.g., independently entitled divorced spouses) are receiving benefits on the earnings records of deceased workers. For these individuals, DACUS did not generate an alert after the death of the worker. As a result, the independently entitled divorced spouses continued to receive spousal benefits rather than survivor benefits.

¹¹ Staff members from OQA, Office of Systems Requirements, and Western PSC.

For example, one divorced spouse was underpaid \$32,543 over a 4-year period. She became independently entitled to benefits on the earnings record of her ex-husband in March 1993. Her ex-husband, who had never applied for benefits, died in November 1994. SSA recorded his death on the Numident in December 1994. However, her benefits were not converted from divorced spouse to surviving divorced spouse until March 1999, when the error was identified by OQA. Because DACUS had not been programmed to identify individuals receiving benefits as independently entitled divorced spouses of deceased workers, FO employees were unaware that she received benefits on the earnings record of her ex-husband. No further action was taken until 4 years after his death. On March 31, 1999, SSA paid an underpayment of \$32,543.

Our audit disclosed that DACUS should have detected the 120 independently entitled divorced spouses of deceased workers who had not applied for benefits. Although the independently entitled divorced spouses may have been unaware of the death of their ex-spouses or its impact on their benefits, this did not alleviate the responsibility of the Agency to process conversion actions for these individuals. SSA employees¹² stated that these errors were attributed to a systemic problem which precluded DACUS from generating an alert if the deceased wage earner was not a beneficiary.

To prevent future occurrences of similar problems, it is important for DACUS to perform a computer match of death and payment data for all beneficiaries, including independently entitled divorced spouses. SSA employees informed us that DACUS could be reprogrammed to: (1) identify deceased wage earners with independently entitled divorced spouses who may be eligible for higher benefits; and (2) notify FOs to verify death information and initiate conversion actions upon the death of a nonbeneficiary. SSA employees agreed to incorporate these modifications into future revisions of the DACUS program, which are currently scheduled for September 2000.

We believe that SSA needs to take corrective action to reduce the potential for underpayments, adverse publicity, and legal challenges. Additional controls are required to provide timely conversion of benefits for independently entitled divorced spouses. Therefore, we recommend that SSA modify DACUS to identify all individuals receiving benefits as independently entitled divorced spouses of deceased workers who have not applied for benefits. SSA should also verify death information for these nonbeneficiaries and take appropriate action to convert benefits for independently entitled divorced spouses after the death of a wage earner.

¹² Staff members from OQA, Office of Systems Requirements, and Office of Program Benefits.

CONCLUSIONS AND RECOMMENDATIONS

SSA conducted a special project and determined that spouses and divorced spouses did not always receive the highest benefit due after the death of a wage earner. The project disclosed that SSA needs more effective controls to: (1) detect and prevent errors in converting spouses to surviving spouses upon the death of a beneficiary; and (2) identify independently entitled divorced spouses who were eligible for higher benefits upon the death of a nonbeneficiary. As a result, SSA paid underpayments totaling \$22.3 million to 700 beneficiaries as of December 16, 1999. The average underpayment was \$31,921 and 15 underpayments were over \$100,000. In addition, because SSA's special project was limited to beneficiaries in current pay status, there are other spouses and divorced spouses who died prior to identification by the Agency, resulting in potential underpayments to their relatives or estates.

Although we commend SSA for identifying and resolving the underpayments, the Agency could improve its controls to ensure that spousal benefits are properly converted to survivor benefits after the death of a wage earner. These controls should address spouses and divorced spouses of deceased beneficiaries and independently entitled divorced spouses of deceased workers who have not applied for benefits. Accordingly, we believe that systems enhancements are necessary to detect and prevent underpayments and provide reasonable assurance that all spouses and divorced spouses receive the maximum benefits to which they are entitled. Therefore, we recommend that SSA:

1. Modify RETAP to identify all individuals receiving benefits as spouses or divorced spouses of deceased beneficiaries.
2. Review these cases and take appropriate action to convert benefits for spouses and divorced spouses after the death of a wage earner.
3. Modify DACUS to identify all individuals receiving benefits as independently entitled divorced spouses of deceased workers who have not applied for benefits.
4. Verify death information for these nonbeneficiaries and take appropriate action to convert benefits for independently entitled divorced spouses after the death of a wage earner.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. SSA acknowledged that modifications to RETAP are needed to enhance controls over the conversion of benefits and ensure that spouses (including those in suspended payment status) receive the highest benefit after the death of a wage earner. SSA is currently in the process of

determining what modifications are needed, developing the output format, and resolving how FOs will process and review the output. SSA estimates these issues will be resolved by December 2000 and RETAP will be modified within 90 days thereafter. SSA agreed to review the cases identified by the modifications to RETAP and ensure that appropriate action is taken to convert benefits for spouses and divorced spouses after the death of a wage earner.

Beginning September 30, 2000, SSA agreed to implement modifications to DACUS (Release 2) to identify and generate alerts for all individuals receiving benefits as independently entitled divorced spouses of deceased workers who have not applied for benefits. Upon receipt of a death report for a wage earner who has not yet filed for OASDI benefits, DACUS will: (1) search the MBR for any independently entitled divorced spouses on the worker's earnings record; and (2) generate an alert to the field office to convert eligible payments to survivor benefits. SSA stated that it would issue interim instructions for the FOs before this workload is generated.

SSA also provided technical comments that have been incorporated into the final report. The full text of SSA's comments is included in Appendix B.

APPENDICES

ACRONYMS

Act	The Social Security Act
BIC	Beneficiary Identification Code
DACUS	Death Alert, Control, and Update System
FO	Field Office
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
ODIO	Office of Disability and International Operations
OQA	Office of Quality Assurance and Performance Assessment
ORES	Office of Research, Evaluation, and Statistics
PC	Processing Center
PIA	Primary Insurance Amount
PSC	Program Service Center
RETAP	Regular Transcript, Attainment, and Selection Pass
SSA	Social Security Administration
TATTER	Terminating, Attainments, Transfers, and Terminations

APPENDIX B

AGENCY COMMENTS

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,
"CONVERSION OF BENEFITS FOR SPOUSES AFTER THE DEATH OF A WAGE
EARNER" (A-09-99-62009)**

Recommendation 1

Modify Regular Transcript Attainments and Selection Pass (RETAP) to identify all individuals receiving benefits as spouses or divorced spouses of deceased beneficiaries.

Comment

We agree. RETAP modifications are needed to enhance controls over the conversion of benefits and ensure that spouses (including those in suspended payment status) receive the highest benefit after the death of a wage earner. We are in the process of determining what RETAP modifications are needed, developing the output format, and resolving how the output will be processed/reviewed in the field. We expect these details to be resolved by December 2000, with changes to RETAP occurring approximately 90 days later.

Recommendation 2

Review these cases and take appropriate action to convert benefits for spouses and divorced spouses after the death of a wage earner.

Comment

We agree to review cases identified by the modified RETAP selections and ensure that appropriate action is taken to convert benefits for spouses and divorced spouses after the death of a wage earner.

Recommendations 3 and 4

Modify the Death Alert Control and Update System (DACUS) to identify all individuals receiving benefits as independently entitled divorced spouses of deceased workers who have not applied for benefits.

Verify death information for these nonbeneficiaries and take appropriate action to convert benefits for independently entitled divorced spouses after the death of a wage earner.

Comment

We agree. Beginning September 30, 2000, SSA will implement modifications to DACUS (Release 2) to identify these cases and generate alerts. Following the receipt of a report of death for a wage earner who has not yet filed for title II benefits, DACUS will search the MBR for any independently entitled spouses on the record and generate an alert to the field office to convert payment to survivor benefits. Interim instructions will be issued for field offices before this workload is generated.

OIG CONTACTS AND STAFF ACKNOWLEDGMENTS

OIG Contacts

William Fernandez, Director, Program Benefits Audit Division, (510) 970-1739

Jack H. Trudel, Deputy Director, (510) 970-1733

Acknowledgments

In addition to those named above:

Jimmie R. Harris, Senior Auditor

Cheryl Robinson, Writer-Editor

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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.

Office of Executive Operations

The Office of Executive Operations (OEO) provides four functions for the Office of the Inspector General (OIG) – administrative support, strategic planning, quality assurance, and public affairs. OEO supports the OIG components by providing information resources management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this Office coordinates and is responsible for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. The quality assurance division performs internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency. This division also conducts employee investigations within OIG. The public affairs team communicates OIG's planned and current activities and the results to the Commissioner and Congress, as well as other entities.

Office of Investigations

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.

Counsel to the Inspector General

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.

