

*Audit Report*

Higher Retirement Benefits Payable  
to Families of Disabled Beneficiaries

A-09-14-34080 / February 2016



# Office of the Inspector General

## SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

Date: February 2, 2016

## Refer To:

To: The Commissioner

From: Inspector General

**Subject:** Higher Retirement Benefits Payable to Families of Disabled Beneficiaries (A-09-14-34080)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration had adequate controls to inform disabled beneficiaries when total family benefits would be higher if a disabled wage earner elected reduced retirement benefits. This occurred because, under the family maximum provisions, the retirement maximum benefit is usually higher than the disability maximum benefit.

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.

Bob & Olavell Jr

Patrick P. O'Carroll, Jr.

## Attachment

# Higher Retirement Benefits Payable to Families of Disabled Beneficiaries

## A-09-14-34080



February 2016

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) had adequate controls to inform disabled beneficiaries when total family benefits would be higher if a disabled wage earner elected reduced retirement benefits. This occurred because, under the family maximum provisions, the retirement family maximum benefit is usually higher than the disability family maximum benefit.

### Background

The *Social Security Act* provides monthly benefits to retired and/or disabled workers and their families. Disabled beneficiaries may be simultaneously entitled to disability and retirement benefits when they attain age 62. Generally, the higher benefits are payable; however, disabled beneficiaries may elect retirement benefits even when the disability benefits are higher. This may occur when there are entitled spouse and child beneficiaries and the total family benefits are higher under the retirement maximum provisions. SSA employees must determine whether total family benefits would be higher if a disabled beneficiary elected reduced retirement benefits.

For our review we identified approximately 21,000 disabled beneficiaries over age 62 with at least 1 entitled spouse or child beneficiary on the same record.

### Findings

SSA needs to improve its controls to ensure it notifies disabled beneficiaries when total family benefits are higher if a disabled wage earner elected reduced retirement benefits. Based on our random sample, we estimate that 8,265 families of disabled beneficiaries were eligible for higher total family benefits of approximately \$27.9 million.

When these beneficiaries attained age 62, SSA should have informed them they were eligible for higher family benefits. However, we found no evidence in SSA's electronic files that SSA informed them they were eligible for a higher family benefit or that the beneficiaries had elected to continue to receive the lower family benefit.

### Recommendations

1. Take appropriate action for the 159 beneficiaries and their families identified by our audit.
2. Evaluate the results of its actions for the 159 beneficiaries and their families and take appropriate action to notify the remaining population of disabled beneficiaries who may be eligible for higher family benefits.
3. Improve controls to ensure it informs disabled beneficiaries when they are eligible for higher family benefits if they elect retirement benefits.

SSA agreed with our recommendations.

## TABLE OF CONTENTS

Objective .....	1
Background .....	1
Results of Review .....	1
Families of Disabled Beneficiaries Eligible for Higher Total Benefits .....	3
Conclusions.....	4
Recommendations.....	4
Agency Comments.....	5
Appendix A – Scope and Methodology .....	A-1
Appendix B – Sampling Methodology and Results .....	B-1
Appendix C – Agency Comments.....	C-1
Appendix D – Acknowledgments.....	D-1

## **ABBREVIATIONS**

FRA	Full Retirement Age
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to inform disabled beneficiaries when total family benefits would be higher if a disabled wage earner elected reduced retirement benefits. This occurred because, under the family maximum provisions, the retirement family maximum benefit is usually higher than the disability family maximum benefit.

## BACKGROUND

The *Social Security Act* (Act)<sup>1</sup> provides monthly benefits to retired and/or disabled workers and their families. Disabled beneficiaries may be simultaneously entitled to disability and retirement benefits when they attain age 62.<sup>2</sup> Generally, the higher benefits are payable; however, disabled beneficiaries may elect retirement benefits even when the disability benefits are higher. This may occur when there are entitled spouse and child beneficiaries and the total family benefits are higher under the retirement maximum provisions.

The family maximum is the total amount payable on a worker's record. In disability cases, the maximum may be substantially lower than the retirement maximum. In some instances, the disability maximum equals the amount payable to the disabled worker; therefore, no benefits are payable to entitled spouse and child beneficiaries. SSA employees must determine whether total family benefits would be higher if a disabled beneficiary elected reduced retirement benefits.<sup>3</sup>

From the Master Beneficiary Record (MBR), we identified 2 populations of approximately 21,000 disabled beneficiaries over age 62 with at least 1 entitled spouse or child beneficiary on the same record. From these 2 populations, we randomly selected 400 records for review (see Appendix A).

## RESULTS OF REVIEW

SSA needs to improve its controls to ensure it informs disabled beneficiaries when total family benefits are higher if a disabled wage earner elected reduced retirement benefits. Based on our random samples, we estimate that 8,265 families of disabled beneficiaries were eligible for higher total family benefits of approximately \$27.9 million (see Appendix B).

When these beneficiaries attained age 62, SSA should have informed them they were eligible for higher family benefits. However, we found no evidence in SSA's electronic files that SSA

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<sup>1</sup> Act §§ 202 *et seq.* and 223 *et seq.*, 42 U.S.C. §§ 402 *et seq.* and 423 *et seq.*

<sup>2</sup> Act § 202 (k)(4), 42 U.S.C. § 402 (k)(4).

<sup>3</sup> SSA, POMS, RS 00615.742 (August 30, 2010).

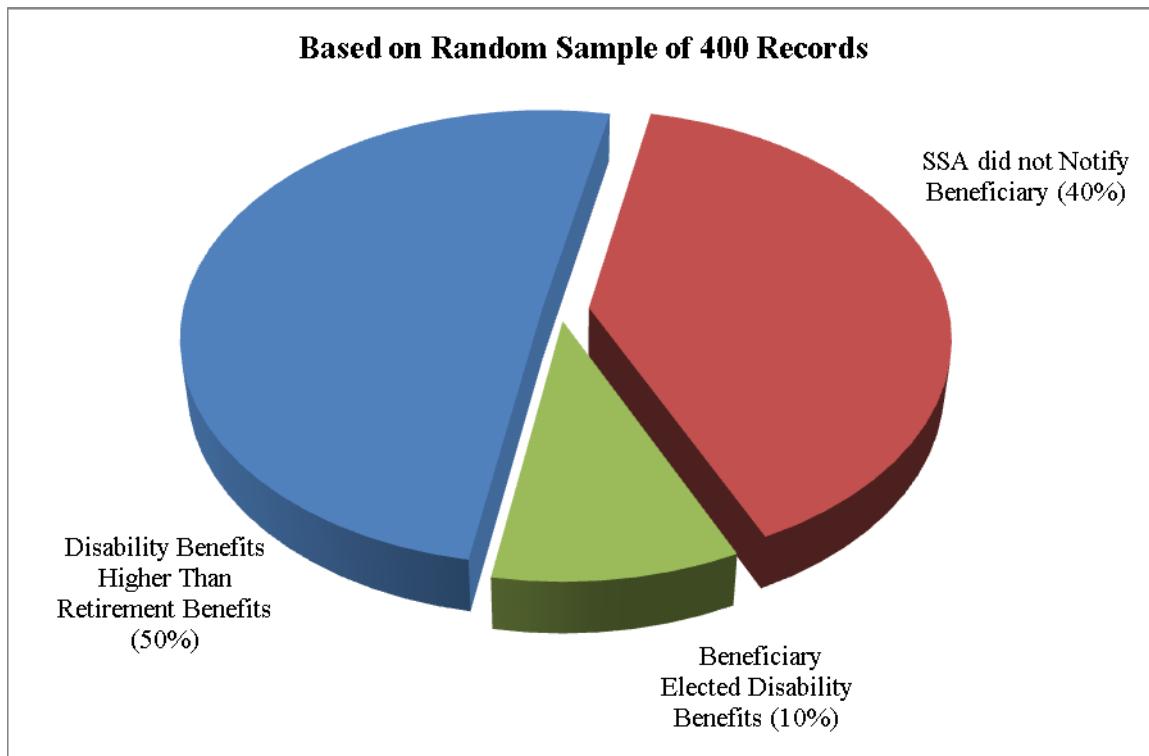
informed them they were eligible for a higher family benefit or that the beneficiaries had elected to continue to receive the lower family benefit.

For the 400 families in our samples, we found that

- SSA had not notified 159 (40 percent) disabled beneficiaries when they were eligible for higher total family benefits,
- SSA did not need to notify 202 (50 percent) disabled beneficiaries because the total family benefits under disability was higher than the total family benefits under retirement, and
- 39 (10 percent) disabled beneficiaries elected to receive lower total family benefits under disability.

Figure 1 summarizes the results of our review.

**Figure 1: Higher Retirement Benefits Payable to Families of Disabled Beneficiaries**



## Families of Disabled Beneficiaries Eligible for Higher Total Benefits

Disabled beneficiaries may be eligible for reduced retirement benefits when they attain age 62.<sup>4</sup> At age 62, they may elect to receive reduced retirement benefits, even though their individual disability benefit is higher. This may occur when there are entitled spouse and/or child beneficiaries, the disability family maximum limits the total amount payable, and the retirement family maximum is higher than the disability family maximum. According to Social Security policy, SSA employees must explore the possibility of electing reduced retirement benefits if total family benefits will be higher.<sup>5</sup> An individual who is simultaneously entitled to disability and retirement benefits will receive the higher benefit unless he/she elects to receive the lower benefit.<sup>6</sup>

In a 2015 audit,<sup>7</sup> we found that SSA policy required that its employees inform disabled beneficiaries who had workers' compensation offset that they were eligible for higher retirement benefits at age 62.<sup>8</sup> In addition, SSA's Regular Transcript Attainment and Selection program generated an alert for these beneficiaries at age 61 and 9 months that instructed SSA employees to contact the beneficiaries for potential entitlement to retirement benefits. However, during our current review, we found that SSA has no similar controls to ensure its employees inform disabled beneficiaries when they were eligible for higher family benefits if they elect retirement benefits at age 62.

We found that families of 159 disabled beneficiaries were eligible for higher total family benefits. These beneficiaries were initially entitled to disability benefits before age 62. When they attained age 62, SSA should have informed them they were eligible for higher family benefits. However, we found no evidence in SSA's electronic files that SSA informed the beneficiaries they were eligible for a higher family benefit or that the beneficiaries had elected to continue to receive the lower family benefit. Had SSA notified the 159 disabled beneficiaries they could have received an additional \$537,737 in family benefits.

For example, a beneficiary was entitled to disability benefits from July 2002, until he attained full retirement age in June 2007. In addition, there were three children entitled to benefits. At age 62, the disabled beneficiary's monthly benefit amount was \$1,130 and the three children's monthly benefit amounts were each \$188. The total monthly family benefits payable under disability was \$1,694. When the disabled beneficiary attained age 62, SSA should have determined whether he was eligible for higher family benefits if he elected reduced retirement benefits. Had the beneficiary elected retirement benefits at age 62, he was entitled to a monthly

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<sup>4</sup> SSA, POMS, RS 00201.001 A. (October 8, 2003).

<sup>5</sup> SSA, POMS, RS 00615.742 2. (August 30, 2010).

<sup>6</sup> SSA, POMS, RS 00615.110 B.2. (July 21, 2015).

<sup>7</sup> SSA, OIG, *Disabled Beneficiaries Who Are Eligible for Higher Retirement Benefits* (A-09-13-23054), January 30, 2015.

<sup>8</sup> SSA, POMS, DI 52150.030 A. (August 03, 2015).

benefit amount of \$853, and each child was entitled to a monthly benefit amount of \$322, for a total family monthly benefit of \$1,819. As such, the family was entitled to an additional \$125 per month.<sup>9</sup> As a result, from July 2004 to June 2007 the family could have received an additional \$4,740. Finally, we found no evidence that SSA informed the beneficiary he was eligible for higher family benefits or that he elected the lower family benefits.

## CONCLUSIONS

SSA needs to improve its controls to ensure it informs disabled beneficiaries when total family benefits are higher if a disabled wage earner elected reduced retirement benefits. Based on our random sample, we estimate that 8,265 families of disabled beneficiaries were eligible for higher total family benefits of approximately \$27.9 million. This occurred because SSA did not inform disabled beneficiaries when they were eligible for higher family benefits (see Appendix B).

When these beneficiaries attained age 62, SSA should have informed them they were eligible for higher family benefits. However, we found no evidence in SSA's electronic files that SSA informed them they were eligible for a higher family benefit or that the beneficiaries had elected to continue to receive the lower family benefit.

## RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action for the 159 beneficiaries and their families identified by our audit.
2. Evaluate the results of its actions for the 159 beneficiaries and their families and take appropriate action to notify the remaining population of disabled beneficiaries who may be eligible for higher family benefits.
3. Improve controls to ensure it informs disabled beneficiaries when they are eligible for higher family benefits if they elect retirement benefits.

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<sup>9</sup>  $\$125 = [\$853 + (3 \times \$322)] - [\$1,130 + (3 \times \$188)].$

## AGENCY COMMENTS

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



Steven L. Schaeffer, JD, CPA, CGFM, CGMA  
Assistant Inspector General for Audit

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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We obtained from the Social Security Administration's (SSA) Master Beneficiary Record (MBR) a data extract of 20,930 disabled beneficiaries who were born between January 1, 1942 and January 1, 1952, and were paid disability benefits between age 62 and full retirement age (FRA). Each record also had 1 or more entitled spouse or child beneficiaries.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, U.S. Code, and SSA's Program Operations Manual System;
- interviewed SSA staff from the Offices of the Deputy Commissioners of Retirement and Disability Policy and Operations;
- reviewed a random sample of 400 records;
- reviewed SSA's Online Retrieval System, Shared Process Evidence, and Modernized Claims System; and
- used SSA's interactive Computation Facility to determine the amount of benefits payable to the disabled beneficiaries and their families if they had elected retirement benefits.

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

We determined whether the total family benefits were higher if the disabled wage earner had elected reduced retirement benefits between age 62 and FRA.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between June and September 2015. The entity reviewed was the Office of Operations under the Office of the Deputy Commissioner for Operations.

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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **Appendix B – SAMPLING METHODOLOGY AND RESULTS**

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We obtained from the Social Security Administration’s (SSA) Master Beneficiary Record two populations of disabled beneficiaries born between January 1, 1942 and January 1, 1952 and who were paid disability benefits between age 62 and full retirement age (FRA). The first population consisted of 10,903 records with 3 or more entitled spouse and/or child beneficiaries. The second population consisted of 10,027 records with less than 3 entitled spouse and/or child beneficiaries with a family maximum equal to the primary insurance amount. For our review, we selected a random sample of 200 records from each population.

We found that 159 families of disabled beneficiaries would have received higher family benefits if the disabled beneficiary had elected reduced retirement benefits between age 62 and FRA. Projecting our sample results to the population of 20,930, we estimate that 8,265 families could have received \$27.9 million in additional benefits if the disabled beneficiaries had elected reduced retirement insurance benefits between age 62 and FRA.

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

**Table B–1: Populations and Sample Size**

Description	Population 1	Population 2	Total
Population Size	10,903	10,027	20,930
Sample Size	200	200	400

**Table B–2: Families Eligible for Higher Retirement Benefits**

Description	Number of Families in Population 1	Number of Families in Population 2	Total
Sample Results	67	92	159
Point Estimate	3,653	4,612	8,265
Projection – Lower Limit	3,055	4,020	
Projection – Upper Limit	4,289	5,214	

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

**Table B–3: Additional Benefits Payable to Families**

Description	Additional Benefits Payable in Population 1	Additional Benefits Payable in Population 2	Total Additional Benefits Payable
Sample Results	\$231,693	\$306,044	\$537,737
Point Estimate	\$12,630,738	\$15,343,496	\$27,974,234
Projection – Lower Limit	\$9,614,222	\$12,891,277	
Projection – Upper Limit	\$15,647,254	\$17,795,715	

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

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

Date: January 21, 2016 Refer To: S1J-3

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

From: Frank Cristaudo /s/  
Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, "Higher Retirement Benefits Payable to Families of Disabled Beneficiaries" (A-09-14-34080)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“HIGHER RETIREMENT BENEFITS PAYABLE TO FAMILIES OF DISABLED  
BENEFICIARIES” (A-09-14-34080)**

**Recommendation 1**

Take appropriate action for the 159 beneficiaries and their families identified by our audit.

**Response**

We agree. We will review the 159 cases to determine the appropriate action.

**Recommendation 2**

Evaluate the results of the Social Security Administration’s (SSA) actions for the 159 beneficiaries and their families and take appropriate action to notify the remaining population of disabled beneficiaries who may be eligible for higher family benefits.

**Response**

We agree. By the beginning of fiscal year (FY) 2017, we will determine whether to review the remaining population based on our results of the 159 cases from recommendation 1.

**Recommendation 3**

Improve controls to ensure SSA informs disabled beneficiaries when they are eligible for higher family benefits if they elect retirement benefits.

**Response**

We agree. In FY 2017, based on the outcome of recommendations 1 and 2, we will explore ways in which we can improve controls to ensure that we inform disabled beneficiaries when they are eligible for higher family benefits if they elect retirement benefits.

## **Appendix D – ACKNOWLEDGMENTS**

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