

---

**OFFICE OF  
THE INSPECTOR GENERAL**

---

**SOCIAL SECURITY ADMINISTRATION**

---

**ACCURACY OF TITLE II SURVIVORS BENEFIT  
TRANSACTIONS GREATER THAN \$30,000  
PROCESSED THROUGH THE MANUAL ADJUSTMENT,  
CREDIT AND AWARD PROCESS SYSTEM**

October 2011

A-04-10-10119

---

**AUDIT REPORT**

---



## **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: October 11, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Accuracy of Title II Survivors Benefit Transactions Greater Than \$30,000 Processed Through the Manual Adjustment, Credit and Award Process System (A-04-10-10119)

## OBJECTIVE

Our objective was to assess the accuracy of survivors benefit transactions greater than \$30,000 that Social Security Administration (SSA) staff processed through the Manual Adjustment, Credit and Award Process (MADCAP) system.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the *Social Security Act*, as amended (Act). Section 202 of the Act<sup>1</sup> requires that SSA provide monthly survivors benefits to individuals who meet specific eligibility requirements. SSA issues survivors benefit payments to the surviving spouse and children and, in certain situations, to a surviving parent(s) or a divorced spouse.<sup>2</sup> However, in certain situations, a person over age 18 may be eligible for child survivors benefits on a deceased parent's Social Security record.<sup>3</sup> For a person over age 18 to be eligible for child survivors benefits, the individual must (1) have become disabled before age 22, (2) have had a deceased parent who qualified for OASDI, (3) have been dependent on the deceased parent, and (4) be unmarried.<sup>4</sup> If an individual meets these eligibility requirements, SSA considers him/her a childhood disability beneficiary.

In each of the cases we tested, SSA did not recognize a survivor was entitled to survivors benefits at the time of the parent or spouse's death. When SSA ultimately recognized the claim involved an eligible survivor, it determined whether the beneficiary

---

<sup>1</sup> *Social Security Act* § 202; 42 U.S.C. § 402.

<sup>2</sup> *Social Security Act* § 202; 42 U.S.C. § 402 (b) (1), (c) (1), (d) (1), (e) (1), and (f) (1).

<sup>3</sup> *Social Security Act* § 202; 42 U.S.C § 402 (d) (1).

<sup>4</sup> *Social Security Act* § 202; 42 U.S.C § 402 (d) (1). (A), (B), and (C).

was entitled to past-due survivors benefits. Generally, SSA's automated systems processed monthly survivors benefit payments. However, for the cases we tested, SSA's automated or direct input systems could not completely process the actions. As such, authorized technicians at SSA's program service centers manually processed the actions through the MADCAP system.

In our sampled cases, SSA determined the childhood disability beneficiaries (over age 18) and spouses were entitled to past-due survivors insurance benefits for periods ranging from 6 to 30 years. As such, the MADCAP transactions recording the past-due survivors insurance benefits exceeded \$30,000. However, in many cases the surviving beneficiary received Supplemental Security Income (SSI) payments.<sup>5</sup> After SSA calculated and applied the SSI payment offset<sup>6</sup> against the MADCAP action, the resulting payments were usually less than \$30,000.

For example, a Title II eligible parent died in June 1999. At that time, the beneficiary's child was receiving SSI payments. The child became entitled to SSI in 1985, just before age 22 and therefore qualified as a childhood disability beneficiary. At the time of the parent's death, SSA did not recognize that the childhood disability beneficiary may have been eligible for survivors benefits. However, in 2009, SSA took steps to determine whether it owed the individual survivors benefits. SSA calculated preliminary survivors benefits of \$63,838 for the period February 1985<sup>7</sup> through December 2004<sup>8</sup> and recorded a MADCAP action for this amount on the parent's Title II record. SSA also determined that it owed \$29,658 in preliminary survivors benefits for the period January 2005 through February 2009. In total, SSA calculated preliminary survivors benefits of \$93,496. To determine the final survivors benefits due, SSA reduced the \$93,496 by the SSI paid to the childhood disability beneficiary (\$87,673.52 for the period April 1985 through May 2009). As a result, SSA owed the beneficiary \$5,822.48 (\$93,496 minus \$87,673.52) in past-due benefits.

---

<sup>5</sup> SSA administers the SSI program under Title XVI of the Act. SSI provides a minimum level of support to qualified individuals who are blind, disabled, or aged and who have limited income and resources. *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

<sup>6</sup> The SSI program is needs-based. For those claimants concurrently eligible for Title II and XVI benefits, receipt of Title II benefits will result in a reduction or elimination of Title XVI benefits. *Social Security Act* § 1611 and 1612.

<sup>7</sup> A childhood disability beneficiary (over the age 18) receiving SSI may also be eligible for OASDI benefits as a dependent of an insured parent (See 20 C.F.R. § 404.350). When SSA recognized the childhood disability beneficiary (over age 18), it determined whether additional disability insurance benefits were due during the beneficiary's entire SSI entitlement period (preceding the parents' death). Any resulting past-due disability insurance was included with the past-due survivors insurance payment. For our study, we refer to the combined disability and survivors insurance benefits processed as one transaction in MADCAP as "survivors benefits."

<sup>8</sup> SSA's Payment History Update System (PHUS) records benefit payment transactions chronologically. PHUS separately records all payment transactions that occurred within 4 years of the current year. However, for payment transactions that occurred 4-years before the current year, PHUS records the payment actions in aggregate. As such, the MADCAP action to record the preliminary past-due benefit calculation is based on the aggregate payment action recorded in PHUS.

## **METHODOLOGY**

We reviewed a random sample of 50 survivors benefits transactions over \$30,000 that SSA staff processed through the MADCAP system. We selected our sample from a population of 1,068 MADCAP transactions SSA processed between October 1, 2008 and September 30, 2009. For each sampled transaction, we tested the accuracy of the (1) MADCAP action that determined the preliminary past-due survivors benefits, (2) SSI offset amount, and (3) resulting payments. In situations where the MADCAP action resulted in a payment of \$30,000 or more, we tested whether SSA issued the payment through the Single Payment System (SPS), as required by policies and procedures.<sup>9</sup>

Further information regarding our scope and methodology as well as our sampling methodology is in Appendices B and C, respectively.

## **RESULTS OF REVIEW**

SSA did not always accurately process the MADCAP action that determined the preliminary past-due survivors benefits and SSI offset amount. Of the 50 sampled MADCAP transactions tested, 8 (16 percent) had payment errors totaling \$87,238 (\$54,840 in overpayments and \$32,398 in underpayments.) Based on these payment errors, we estimate that approximately 171 MADCAP transactions in our population had related payment errors totaling about \$1.9 million. See Appendix C for our projection methodology.

## **PAYMENT ERRORS**

Of the 50 randomly selected MADCAP transactions, 8 (16 percent) had payment errors totaling \$87,238 (\$54,840 in overpayments and \$32,398 in underpayments.) Table 1 details the payments errors.

---

<sup>9</sup> SSA, Program Operations Manual System (POMS), SM 00834.001, effective 11/16/2006 to present.

**Table 1: Payment Errors**

	<b>Total Payment Error on Deceased Beneficiary's Title II Record</b>	<b>Type of Payment Error</b>
1	\$32,433	Overpayment
2	12,965	Overpayment
3	8,981	Overpayment
4	461	Overpayment
5	16,395	Underpayment
6	15,423	Underpayment
7	399	Underpayment
8	181	Underpayment
	\$87,238	<b>Total</b>

We acknowledge the complexity of processing these cases. Many of the cases we reviewed required that SSA staff determine past-due survivors benefits for numerous years, which often involved changes in eligibility periods and benefit rates. Additionally, SSA staff had to compute SSI payments and net these against the survivors benefits due. Finally, before issuing payments, staff had to recognize and adjust for overpayments. Our review found that payment errors resulted from various processing mistakes. The processing errors included

- using incorrect benefit rates to determine past-due survivors benefits,
- using incorrect benefit periods to determine past-due survivors benefits,
- miscalculating the SSI payment (offset amount), and
- not adjusting for existing overpayments.

In one example, a Title II beneficiary died in November 2001. In FY 2009, SSA determined the deceased beneficiary had not received his full Disability Insurance benefits before his death. SSA subsequently paid his widow \$52,545 for the underpaid Disability Insurance benefits (as a survivors benefit). However, SSA used incorrect benefit rates to calculate the underpaid Disability Insurance benefits and did not reduce the amount for SSI payments to the deceased beneficiary. As a result, SSA overpaid the widow by \$32,433.

In another example, a divorced spouse was underpaid \$16,395. The Title II beneficiary died in March 2007. In June 2009, SSA determined it owed the divorced spouse \$36,513 in past-due survivors benefits. However, the deceased beneficiary had a \$20,118 SSI overpayment on his record. SSA properly offset the SSI overpayment against the survivors benefits, resulting in \$16,395 due the divorced spouse. However,

because SSA personnel did not adjust the SSI record to reflect that the Agency collected the overpayment, system controls stopped payment of the \$16,395 in survivors benefits.

In the last example, the Title II beneficiary/parent died in 2005. In 2009, SSA recognized that a childhood disability beneficiary (over age 18) who was receiving SSI payments was eligible for survivors benefits. While determining the survivors benefit due, SSA also determined whether the beneficiary was due disability insurance benefits during his SSI entitlement period,<sup>10</sup> which began in August 1979. SSA determined the beneficiary was due \$11,721 in combined past-due disability and survivors insurance benefits. However, SSA used incorrect monthly benefit rates to determine the past-due amounts. As a result, SSA underpaid the beneficiary by \$5,243. Additionally, SSA underpaid the other four children on the deceased parent's Title II record by \$10,180. As such, the underpayments on the deceased beneficiary's record totaled \$15,423.

SSA procedures require review of cases involving payments greater than \$6,000. However, these cases are complex and, as such, even the reviewing SSA employee did not detect some of the payment errors we identified. For example, of the eight payment error cases, four (50 percent) involved payments greater than \$6,000. As such, the payments required approval by another SSA employee.<sup>11</sup> SSA's records contained evidence of the required approval for three of the four cases; however, SSA was unable to locate evidence that the remaining case had been approved. Because secondary reviews were not always successful in identifying and correcting payment errors in this difficult workload, we believe SSA should provide specialized training regarding the processing of these cases.

## CONCLUSION AND RECOMMENDATION

SSA did not always calculate the correct survivors benefits due. Payment errors occurred because SSA staff made processing mistakes in the various calculations. Moreover, case reviews failed to identify and correct all payment errors. We recognize the complexity of this workload, and believe that staff knowledge and expertise are crucial to processing this workload accurately.

Accordingly, we recommend SSA provide additional training to staff and managers responsible for processing past-due MADCAP survivors benefit transactions greater than \$30,000.

---

<sup>10</sup> A childhood disability beneficiary (over age 18) receiving SSI may also be eligible for OASDI benefits as a dependent of an insured parent. See 20 C.F.R. § 404.350.

<sup>11</sup> SSA POMS SM 00858.030.A.1., effective during our audit period, requires that MADCAP payments greater than \$6,000 be approved by a benefit authorizer. The current version of this policy, effective November 22, 2010, contains the same requirement. SSA POMS SM 00834.425A., effective June 19, 2009 to present, requires that SPS payments greater than \$6,000 be approved by a post-entitlement technical expert or post-entitlement team leader.

## AGENCY COMMENTS

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

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

# *Appendices*

---

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Test Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

## Acronyms

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Records
MADCAP	Manual Adjustment, Credit and Award Process
OASDI	Old-Age, Survivors and Disability Insurance Program
OIG	Office of the Inspector General
PHUS	Payment History Update System
POMS	Program Operations Manual System
SPS	Single Payment System
SSA	Social Security Administration
SSI	Supplemental Security Insurance
U.S.C.	United States Code

## Scope and Methodology

In Fiscal Year 2009, the Social Security Administration (SSA) processed 1,068 survivors benefit actions greater than \$30,000 through its Manual Adjustment, Credit and Award Process (MADCAP) system. The MADCAP actions totaled \$51,759,703. From this population, we sampled 50 transactions. Over half of the transactions in our sample involved a childhood disability beneficiary (over age 18).<sup>1</sup> At the time of the parent's death, SSA had not recognized that the childhood disability beneficiary (over age 18) was entitled to survivors benefits. When SSA ultimately recognized the claim involved an eligible survivor, it took action to determine whether the beneficiary was entitled to past-due survivors benefits.

To accomplish our objective we:

- Interviewed staff from the Atlanta Region and the Southeast Program Service Center to obtain an understanding of how SSA processed the sampled MADCAP actions.
- For each sampled MADCAP transaction, we recalculated the MADCAP survivors benefits transaction, Supplemental Security Income offset, and resulting payment.

To do so, we obtained and reviewed the

- Master Beneficiary Record,
- Payment History Update System record,
- Supplemental Security Record,
- MADCAP hardcopy evidence record, and
- Single Payment System record.

For our error cases, we provided SSA with our detailed calculations for its review and comments.

Our review of internal controls was limited to gaining an understanding of SSA procedures for processing MADCAP survivors benefit actions that involve an eligible survivor identified years after the death of an SSA-insured parent, spouse, or divorced spouse. For our analysis, we generally relied on data from SSA's Master Beneficiary

---

<sup>1</sup> For a person over age 18 to be eligible for child survivors benefits, the individual must (1) have become disabled before age 22, (2) have had a deceased parent who qualified for Old-Age, Survivors and Disability Insurance, (3) have been dependent upon the deceased parent, and (4) be unmarried. *Social Security Act* § 202; 42 U.S.C § 402 (d) (1). (A), (B), and (C).

and Supplemental Security Records.<sup>2</sup> We determined these data were sufficiently reliable to satisfy our audit objective. The SSA entity audited was the Office of Operations, Office of Public Service and Operations Support. We conducted the audit from October 2010 through May 2011 in Atlanta, Georgia, and at the Southeastern Program Service Center in Birmingham, Alabama. 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.

---

<sup>2</sup> SSA establishes a Master Beneficiary Record for each Title II beneficiary and a Supplemental Security Record for each Title XVI claimant. These records contain pertinent information needed to pay benefits accurately to the claimant and all entitled dependents. The information maintained includes identification data (name, Social Security number, date of birth, address), earnings history, type and date of disability, and the reason for terminating or suspending benefit payments.

## Sampling Methodology and Test Results

### SAMPLING METHODOLOGY

In Fiscal Year 2009, the Social Security Administration (SSA) processed 1,068 survivors benefit transactions greater than \$30,000 through its Manual Adjustment, Credit and Award Process (MADCAP) system. The MADCAP actions totaled \$51,759,703. From this population, we sampled 50 transactions. Over half of the transactions in our sample involved a childhood disability beneficiary (over age of 18). At the time of the parent's death, SSA had not recognized that the childhood disability beneficiary may have been entitled to survivors benefits. When SSA ultimately recognized the claim involved an eligible survivor, it took action to determine whether the beneficiary was entitled to past-due survivors benefits.

Our audit tested more than one control attribute for some MADCAP transactions. Based on the source documents available, we determined whether (1) the action that created the MADCAP transaction was accurate and (2) if the required payment was made through the Single Payment System, as required. The following chart details our sample selection.

### MADCAP Actions Greater Than \$30,000

<u>Population:</u> Number of Fees	<u>Population:</u> Amount of Fees Paid	Sample Size	Sample Dollars
1,068	\$51,759,703	50	\$2,591,532

## SAMPLING AND TEST RESULTS

<b>Projections of Attribute and Variable Appraisals</b>	
<b>Attribute Appraisal Projections</b>	
<b>Population and Sample Data</b>	<b>Actions</b>
Total Population	1,068
Sample Size	50
Payment Errors	8
<b>Projection to Population</b>	<b>Projections</b>
Point Estimate	171
Lower Limit	90
Upper Limit	285
<b>Variable Appraisal Projections</b>	
<b>Population and Sample Data</b>	<b>Dollars</b>
Total Population	\$51,759,703
Sample	\$2,591,532
Payment Errors	\$87,238
<b>Projection to Population</b>	<b>Projections</b>
Point Estimate	\$1,861,481
Lower Limit	\$425,036
Upper Limit	\$3,297,927

We made all projections at the 90-percent confidence level.

## Agency Comments



## Social Security

### MEMORANDUM

Date: September 14, 2011

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, "Accuracy of Title II Survivors Benefit Transactions Greater Than \$30,000 Processed Through the Manual Adjustment, Credit and Award Process System" (A-04-10-10119)--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 Frances Cord, at (410) 966-5787.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "ACCURACY OF TITLE II SURVIVORS BENEFIT TRANSACTIONS GREATER THAN \$30,000 PROCESSED THROUGH THE MANUAL ADJUSTMENT, CREDIT AND AWARD PROCESS SYSTEM" A-04-10-10119**

**Recommendation**

Provide additional training to staff and managers responsible for processing past-due MADCAP survivors benefit transactions greater than \$30,000.

**Response**

We agree.

## OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Kimberly A. Byrd, Director

Frank Nagy, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Lisa Swanson, Senior Auditor

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 Assistant at (410) 965-4518. Refer to Common Identification Number A-04-10-10119.

## ***DISTRIBUTION SCHEDULE***

Commissioner of Social Security

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

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.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

### **Office of Technology and Resource Management**

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.