



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Manual Actions to Issue Old-Age,
Survivors and Disability Insurance
Underpayments Less Than \$6,000

A-07-17-50153 | April 2017

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: April 21, 2017

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Manual Actions to Issue Old-Age, Survivors and Disability Insurance Underpayments Less Than \$6,000 (A-07-17-50153)

The attached final report presents the results of the Office of Audit's review. Our objective was to determine whether the Social Security Administration accurately issued manual Old-Age, Survivors and Disability Insurance underpayments less than \$6,000.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.


Gale Stallworth Stone

Attachment

Manual Actions to Issue Old-Age, Survivors and Disability Insurance Underpayments Less Than \$6,000

A-07-17-50153



April 2017

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) accurately issued manual Old-Age, Survivors and Disability Insurance (OASDI) underpayments less than \$6,000.

Background

An OASDI underpayment accrues when a beneficiary is due a partial or full monthly benefit amount that has not been paid. SSA's automated systems should detect and process most underpayments due living beneficiaries. However, when SSA's systems cannot process these underpayments, SSA employees must manually issue them. Further, SSA employees must manually process all underpayments due deceased beneficiaries.

Manually issued OASDI underpayments of \$6,000 or more require a secondary review. However, SSA policy does not require a secondary review of manually issued underpayments less than \$6,000.

From 1 segment of the Payment History Update System, we identified 104,255 OASDI underpayments less than \$6,000 that were manually issued during Calendar Years (CY) 2014 and 2015. From these underpayments, we identified 52,115 underpayments greater than the \$668 median and reviewed a random sample of 250 to determine whether they were accurately issued and supported.

Findings

Of the 250 sampled underpayments, SSA issued 62 (25 percent) incorrectly, with payment errors totaling \$90,235. Specifically, SSA employees issued

- 45 underpayments totaling \$69,348 more than what was due the beneficiaries—we project SSA issued 187,620 underpayments totaling approximately \$289 million more than what was due and
- 17 underpayments totaling \$20,887 less than what was due the beneficiaries—we project that for 70,880 underpayments, SSA did not issue approximately \$87 million that was due.

From our population of 104,255 underpayments less than \$6,000 issued during CYs 2014 and 2015, we reviewed all 23 beneficiaries to whom SSA employees had issued 5 or more underpayments. These beneficiaries received between 5 and 12 manually issued underpayments, totaling more than \$127,000. Of the 23 beneficiaries, SSA issued 12 (52 percent) at least 1 incorrect underpayment.

Recommendations

We made five recommendations for SSA to take appropriate actions to address the payment errors resulting from incorrect manually issued underpayments.

SSA agreed with our recommendations.

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ABBREVIATIONS

CY	Calendar Year
MACADE	Manual Adjustment, Credit, and Award Data Entry
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
PHUS	Payment History Update System
POMS	Program Operations Manual System
PSC	Program Service Center
SPS	Single Payment System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

OBJECTIVE

The objective of this review was to determine whether the Social Security Administration (SSA) accurately issued manual Old-Age, Survivors and Disability Insurance (OASDI) underpayments less than \$6,000.

BACKGROUND

The OASDI program, created under Title II of the *Social Security Act*, provides monthly benefits to retired and disabled workers and their dependents as well as to survivors of insured workers.¹ An OASDI underpayment accrues when a beneficiary is due a partial or full monthly benefit amount that has not been paid.² However, an underpayment is only payable after the amount is adjusted for any overpayments for which the beneficiary is liable.³

SSA's automated systems should detect and process most underpayments due living beneficiaries. However, when SSA's systems cannot process these underpayments, SSA employees must manually issue them. Further, SSA employees must manually process all underpayments due deceased beneficiaries.⁴

SSA's program service center (PSC) employees issue most manual underpayments.⁵ To do so, they use Manual Adjustment, Credit, and Award Data Entry (MACADE) and the Single Payment System (SPS). PSC employees use MACADE to manually establish, update, or correct information on beneficiaries' OASDI records and SPS to issue certain payments that cannot be processed through automated processes or MACADE. Manually issued OASDI underpayments

¹ *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² SSA, POMS, GN 02301.001 A (June 23, 2006).

³ SSA, POMS, GN 02301.020 2.f (August 15, 2012).

⁴ SSA, POMS, GN 02301.020 1 (August 15, 2012), GN 02301.030 A (April 21, 2009), and GN 02301.070 A (May 9, 1996).

⁵ SSA, POMS, GN 02301.075 A (September 7, 2006) and GN 01061.020 B.2 (May 14, 2009) provide policies for PSC responsibilities for processing underpayments.

of \$6,000 or more require a secondary review.⁶ However, SSA policy does not require a secondary review of manually issued underpayments less than \$6,000.⁷

To review underpayments issued for amounts less than the secondary review threshold, we identified, from 1 segment of the Payment History Update System (PHUS),⁸ 104,255 OASDI underpayments less than \$6,000 that were manually issued during Calendar Years (CY) 2014 and 2015.⁹ From these underpayments, we identified 52,115 underpayments greater than the \$668 median and reviewed a random sample of 250 to determine whether they were accurately issued and supported.¹⁰

RESULTS OF REVIEW

SSA did not always accurately issue OASDI underpayments less than \$6,000. Of the 250 underpayments tested, SSA issued 62 (25 percent) incorrectly, with payment errors totaling \$90,235.¹¹ Specifically, SSA employees issued

- 45 underpayments totaling \$69,348 more than what was due the beneficiaries—we project SSA issued 187,620 underpayments totaling approximately \$289 million more than was due and
- 17 underpayments totaling \$20,887 less than what was due the beneficiaries—we project that, for 70,880 underpayments, SSA did not issue approximately \$87 million that was due.

⁶ In a June 2013 review of *Payments Resulting from Disability Insurance Actions Processed Via Manual Adjustment, Credit and Award Processes (A-04-11-01114)*, we found 75 percent of underpayments of \$6,000 or more lacked evidence of a second review and approval.

⁷ According to SSA, it raised the underpayment review threshold from \$5,300 to \$6,000 in June 2009 to be consistent with the raise from \$5,300 to \$6,000 in the maximum attorney fee agreement amount. When an attorney representing a beneficiary is eligible for direct payment from SSA, SSA withholds the fee amount from the beneficiary's past-due benefits. Once an SSA decisionmaker approves a fee agreement between the attorney and beneficiary, SSA releases the fee to the attorney. Since SSA often pays attorney fees through SPS, SSA raised the review threshold to avoid the additional underpayment reviews that would have been required when releasing withheld attorney fees of \$6,000.

⁸ SSA records payments to OASDI beneficiaries in the PHUS, which is divided into 20 representative segments.

⁹ We included underpayments issued to beneficiaries through MACADE and SPS. SSA issued the underpayments to retired and disabled workers, their dependents, and survivors of deceased workers. We excluded underpayments issued manually as immediate or critical payments and underpayments resulting from the issuance of conserved funds, misused funds, legal fee refunds, or lump-sum death payments as well as any underpayments issued to non-beneficiaries. For full details of our methodology, see Appendix A.

¹⁰ SSA manually issued the 52,115 underpayments to 50,072 beneficiaries. Of the 52,115 underpayments, 51,932 were issued through MACADE and 183 through SPS. Further, SSA issued the 250 sampled underpayments to 249 beneficiaries. All 250 sampled underpayments were issued through MACADE.

¹¹ See Appendix B for the sampling methodology and results.

We also reviewed the 23 beneficiaries from our population to whom SSA employees had issued 5 or more underpayments less than \$6,000 during CYs 2014 and 2015.¹² These beneficiaries received between 5 and 12 manually issued underpayments, totaling more than \$127,000. SSA issued 12 (52 percent) of the 23 beneficiaries at least 1 incorrect underpayment.

Excess Benefits Paid

From our sample of 250 underpayments, SSA issued 45 (18 percent) for amounts greater than what was due the beneficiaries. Specifically, for these 45 underpayments, we identified the following errors.

- **Not Reduced for Improper Payments:** There were 22 underpayments that employees should have reduced for excess benefits paid or credited to the sampled beneficiaries or other beneficiaries on the record living in the same household. When determining underpayment amounts, SSA employees should consider payments made and due on all records on which the beneficiaries were entitled.¹³ For example, in March 2014, an SSA employee issued a \$4,287 underpayment to a disabled beneficiary to account for additional earnings received after she became entitled that SSA previously did not consider when it computed monthly benefits. However, when SSA issued the underpayment, the beneficiary owed about \$13,000 in Medicare Part B premiums that SSA had not identified. Therefore, SSA should not have issued the \$4,287 underpayment to the beneficiary.
- **Miscalculation of Benefits:** There were 12 underpayments that were inaccurate because employees miscalculated benefits. For example, in April 2015, an SSA employee issued a \$4,295 underpayment to a widow to correct her benefit amount. In addition to receiving widow benefits, the beneficiary received disability benefits on her own record. For beneficiaries entitled on multiple records, there are different methods for calculating benefit amounts depending on the type of benefits and the order in which the beneficiaries became entitled.¹⁴ When calculating this underpayment, the employee used an incorrect benefit calculation method and consequently paid more than was due. As a result, SSA should not have issued the \$4,295 underpayment to the beneficiary.
- **Not Adjusted for Prior Entitlement:** Employees should have adjusted nine underpayments for benefits previously paid to the beneficiaries on other records for the same period. When a beneficiary is entitled on multiple records, SSA adjusts the benefit amounts on one or both records to ensure it does not pay more than SSA's rules allow.¹⁵ To avoid issuing duplicate or excess payments, SSA employees must consider the benefits paid on one record when they initiate payments on a new record. For example, in February 2014, an SSA employee awarded benefits to a beneficiary on her own record and issued her a \$2,076 underpayment.

¹² None of the underpayments to the 23 beneficiaries was included in our random sample of 250 underpayments.

¹³ SSA, POMS, GN 02201.003 A.4 (July 16, 2014).

¹⁴ SSA, POMS, RS 00615.020 B (August 21, 2014).

¹⁵ SSA, POMS, RS 00615.020 A (August 21, 2014).

However, SSA had paid the beneficiary as a widow on her divorced spouse's record for the same period. Because SSA already paid the beneficiary the maximum amount of benefits allowed under its rules, she was not due the \$2,076 payment on her own record.

- **Unsupported Payment:** Documentation available in SSA's systems did not support two underpayments. For example, in July 2014, an SSA employee issued a \$4,869 underpayment to a disabled beneficiary. In a letter to the beneficiary, the employee stated the payment was issued because a benefit check had been returned. However, there was no evidence of a returned benefit payment in SSA's systems. As a result, we could not determine whether the beneficiary was due the \$4,869 payment.

For these 45 underpayments, SSA employees paid 45 beneficiaries excess benefits totaling \$69,348. As a result, we project SSA manually issued 187,620 underpayments during our audit period for approximately \$289 million more than was due.

After SSA issued 11 of the 45 underpayments, it took actions to recover the overpaid benefits.¹⁶ However, SSA should review and take appropriate actions on the remaining 34 beneficiaries who were paid excess benefits.¹⁷

Additional Benefits Due

From our sample of 250 underpayments, SSA issued 17 (7 percent) for amounts less than what was due the beneficiaries when the sampled payments were issued. For these 17 underpayments, we identified the following errors.

- **Miscalculation of Benefits:** Ten underpayments were inaccurate because employees miscalculated benefits. For example, in December 2015, an SSA employee took a manual action to release \$3,172 in OASDI benefits that had been withheld pending a calculation of Supplemental Security Income (SSI) offset. However, SSA should have paid the beneficiary an additional month's benefit of \$773. When beneficiaries are entitled to both OASDI and SSI for the same months, but the OASDI benefits are not paid, the SSI payment increases. When SSA pays the OASDI benefits, they must be reduced by the amount of increased SSI payments.¹⁸ SSI offsets are often computed through an automated process. However, SSA employees must manually calculate SSI offsets in complex cases.

¹⁶ The actions included automated systems corrections and manual employee corrections. The corrective actions were not part of a targeted effort to address manual underpayments. Rather, they were found and corrected during subsequent non-related events.

¹⁷ We referred the 34 underpayments issued to the 34 beneficiaries to SSA on January 23, 2017.

¹⁸ SSA, POMS, GN 02610.005 A (April 25, 2012).

- **Unpaid Benefits:** Seven underpayments should have included additional benefits due the sampled beneficiaries. According to SSA policy, employees should consider all additional amounts due for a given period when they determine whether a beneficiary is underpaid and, if so, the amount of the underpayment.¹⁹ Further, SSA advises its employees to review a beneficiary's complete payment history when they calculate underpayments, as it provides the most accurate information. Therefore, the SSA employees who issued the sampled underpayments should have identified the additional unpaid benefits during their review of the payment histories. For example, in February 2014, an SSA employee issued a \$964 underpayment to a retired beneficiary to account for earnings SSA previously did not consider when it computed monthly benefits. However, the beneficiary was also due \$1,455 for unpaid benefits from 2005 that should have been paid at the same time. The \$1,455 remained unpaid at the time of our review.

For these 17 underpayments, SSA owed 16 beneficiaries additional benefits totaling \$20,887. As a result, we project that, for 70,880 manual underpayments issued during our audit period, SSA did not pay approximately \$87 million that was due.

After SSA issued the 17 underpayments to the 16 beneficiaries, it paid the additional benefits due 5 beneficiaries.²⁰ However, SSA should review and take appropriate actions on the remaining 11 beneficiaries who were due additional benefits.²¹

Beneficiaries Issued Multiple Underpayments

SSA's automated systems should detect and process most underpayments due living beneficiaries.²² As a result, we expected frequent manual underpayments to the same beneficiaries to be rare. From our population of 104,255 underpayments less than \$6,000 issued during CYs 2014 and 2015, we reviewed all 23 beneficiaries to whom SSA employees had manually issued 5 or more underpayments. These beneficiaries received between 5 and 12 manually issued underpayments, totaling more than \$127,000 (see Table 1).

¹⁹ Supra note 13, at A.1.

²⁰ The additional payments were the result of automated systems corrections and manual employee corrections. The corrective actions were not part of a targeted effort to address manual underpayments. Rather, they were found and corrected during subsequent non-related events.

²¹ We referred the 12 underpayments issued to the 11 beneficiaries to SSA on January 23, 2017.

²² SSA, POMS, GN 02301.020 1.a (August 15, 2012).

Table 1: Beneficiaries Issued Five or More Underpayments

Number of Underpayments	Number of Beneficiaries	Total of Underpayments
5	14	\$71,656
6	7	\$29,149
7	1	\$8,015
12	1	\$18,647
Total	23	\$127,467

Of the 23 beneficiaries, we found 12 (52 percent) were issued at least 1 incorrect underpayment.²³ For example, from April 2014 through August 2015, SSA employees manually issued one beneficiary five underpayments totaling \$8,730. The beneficiary’s bank returned his benefit payments for an undetermined reason. Therefore, SSA employees manually reissued the payments. During this period, the beneficiary was due an additional \$1,712 underpayment the bank had returned to SSA in August 2013. When reviewing the beneficiary’s payment history, SSA employees should have identified the additional unpaid benefit. However, there was no indication the employees verified the accuracy of the payment history. When issuing each of the five underpayments, the employees did not identify that the additional payment was still due. Consequently, at the time of our review, the beneficiary was due an additional \$1,712.

SSA took corrective actions for 4 of the 12 beneficiaries who had incorrect underpayments.²⁴ However, at the time of our review, we determined SSA had paid six beneficiaries excess benefits totaling \$3,660 and owed two beneficiaries additional benefits totaling \$1,902. SSA should review and take appropriate actions on the payment histories for these eight beneficiaries.²⁵

Controls over Manual Underpayment Actions

SSA’s systems did not include payment worksheets for 98 percent of the incorrect underpayments we identified.²⁶ SSA employees use payment worksheets to manually compute “paid versus payable” when establishing or verifying overpayments or underpayments. When

²³ The 12 beneficiaries received between 1 and 12 incorrect underpayments, for a total of 56 incorrect underpayments.

²⁴ The actions included automated systems corrections and manual employee corrections. The corrective actions were not part of a targeted effort to address manual underpayments. Rather, they were found and corrected during subsequent non-related events.

²⁵ We referred the eight beneficiaries to SSA on January 23, 2017.

²⁶ SSA’s systems included payment worksheets for 2 of the 118 incorrect underpayments we identified during our review. The 118 incorrect underpayments included the 62 incorrect underpayments we identified from our random sample and the 56 incorrect underpayments issued to the 12 beneficiaries who received multiple underpayments (see note 23).

preparing these payment worksheets, employees must closely review entitlement factors and payment histories to determine amounts over- or underpaid. SSA policy does not require that employees prepare or maintain a payment worksheet. However, we prepared payment worksheets to review sampled underpayments and determined it was an effective method for identifying incorrect underpayments and calculating additional benefits due or excess benefits paid. Therefore, we recommend SSA encourage employees to complete payment worksheets and document them in SSA's systems before issuing manual underpayments.

According to SSA, there were no targeted reviews of OASDI underpayments less than \$6,000. Additionally, SSA stated it did not track underpayments less than \$6,000 by employee to analyze payment errors or identify unusual trends. SSA's eight PSCs did have quality review processes to identify errors and increase processing accuracy.²⁷ However, each PSC manages its own workload, and, according to SSA, some quality reviews may not include manual underpayments.²⁸ Targeted reviews of error-prone caseloads, like manual underpayments, could provide SSA with valuable information to develop training and reminders thereby reducing improper payments. Therefore, we recommend SSA determine the feasibility of implementing periodic reviews of manually issued underpayments less than \$6,000. SSA may want to focus its review on beneficiaries who had multiple underpayments given that our review identified these as higher risk for error, with a 52-percent error rate.

CONCLUSIONS

SSA needs to improve its controls over the manual issuance of OASDI underpayments less than \$6,000. SSA employees manually adjusted OASDI beneficiary payment records when the Agency's systems could not automate the action. Of our random sample of 250 underpayments, SSA issued 62 (25 percent) incorrectly, with payment errors totaling \$90,235. Accordingly, we project SSA employees manually issued approximately 258,500 incorrect underpayments less than \$6,000 during CYs 2014 and 2015, with payment errors totaling approximately \$376 million. Further, 12 (52 percent) of the 23 beneficiaries in our population who received 5 or more manual underpayments less than \$6,000 during CYs 2014 and 2015 were issued at least 1 incorrect underpayment.

²⁷ In general, the quality review processes consist of team leaders reviewing randomly selected cases. While quality review processes vary by PSC, most involve a low percentage of cases sampled relative to the number of cases processed. For example, one PSC reviews a maximum of 3 percent of all cases worked by employees in each job position on a given day. Cases may also be reviewed as part of targeted reviews of complex caseloads.

²⁸ Notably, one PSC maintains and reviews lists of underpayments less than \$6,000 manually issued by its employees via MACADE or SPS to identify potential fraud. However, SSA did not provide details of any other PSCs with workload procedures that specifically review manually issued underpayments less than \$6,000.

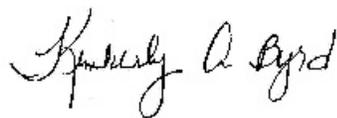
RECOMMENDATIONS

We recommend SSA:

1. Review and take appropriate actions on the beneficiaries we identified who were paid excess benefits, including the 34 overpaid beneficiaries from our random sample and the 6 overpaid beneficiaries who had multiple underpayments.
2. Review and take appropriate actions on the beneficiaries we identified who were due additional benefits, including the 11 underpaid beneficiaries from our random sample and the 2 underpaid beneficiaries who had multiple underpayments.
3. Based on the results of its corrective actions for the payment errors we identified, determine the cost-effectiveness of taking appropriate actions on additional manual underpayments that may need correction.
4. Encourage PSC employees to complete payment worksheets and document them in SSA's systems before issuing manual underpayments.
5. Determine the feasibility of implementing periodic reviews of manually issued underpayments less than \$6,000, focusing on beneficiaries who had multiple underpayments given that our review identified these as higher risk for error.

AGENCY COMMENTS

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



for

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and Social Security Administration’s (SSA) Program Operations Manual System.
- Reviewed prior Office of the Inspector General reports.
- From 1 segment of the Payment History Update System (PHUS),¹ obtained a data file of 104,255 Old-Age, Survivors and Disability Insurance (OASDI) underpayments less than \$6,000 issued manually during Calendar Years (CY) 2014 and 2015.² The underpayments ranged from \$0.50 to \$5,999.70, with a \$668 median underpayment. Of the 104,255 underpayments, 52,115 were over the median of \$668.
- Created our sampling frame by excluding from our population all underpayments equal to or less than the median. As a result, we identified a sampling frame of 52,115 OASDI underpayments over the median of \$668.³
- Selected a random sample of 250 OASDI underpayments from the sampling frame for review.⁴ Additionally, we reviewed all 23 beneficiaries issued 5 or more underpayments from our population of 104,255 OASDI underpayments.⁵
- Determined whether the underpayments were accurate and supported. To do so, we reviewed the PHUS, Master Beneficiary Record, Hospital Insurance/Supplemental Medical Insurance Query, Online Notice Retrieval System, Claims File Records Management System, Paperless Read Only Query System, and Interactive Computation Facility for each case.

¹ SSA records payments to beneficiaries in the PHUS, which is divided into 20 segments based on the last 2 digits of the beneficiaries’ Social Security numbers. One segment of the PHUS represents 5 percent of the total population of beneficiaries. Because each segment contains similar characteristics, the results of the audit are representative of the entire population.

² We included underpayments issued to beneficiaries through Manual Adjustment, Credit, and Award Data Entry (MACADE) and the Single Payment System (SPS). The underpayments were issued to retired and disabled workers, their dependents, and survivors of deceased workers. We excluded underpayments issued manually as immediate or critical payments and underpayments resulting from the issuance of conserved funds, misused funds, legal fee refunds, or lump-sum death payments as well as any underpayments issued to non-beneficiaries

³ SSA manually issued the 52,115 underpayments to 50,072 beneficiaries. Of the 52,115 underpayments, 51,932 were issued through MACADE and 183 through SPS.

⁴ SSA manually issued the 250 sampled underpayments to 249 beneficiaries. All 250 sampled underpayments were issued through MACADE. See Appendix B for the sampling methodology and results.

⁵ None of the underpayments to the 23 beneficiaries were included in our random sample of 250 underpayments.

- To determine whether an underpayment was accurate, we calculated the total amount payable to each beneficiary from his/her date of entitlement through the date SSA issued the sampled underpayment. Then, we compared the amount payable through the date of the sampled underpayment to the total amount SSA paid the beneficiary for the same period. We considered payments made and due on all records on which the beneficiary was entitled. We determined an underpayment was inaccurate if the beneficiary was:
 - Paid too much. Specifically, we calculated the amount of excess benefits paid the beneficiary through the date of the sampled underpayment. However, we limited the error amount to the lesser of (a) the amount we calculated SSA paid in excess of the amount due or (b) the amount of the sampled underpayment. Additionally, if we determined a beneficiary was paid too much, but SSA could not adjust the sampled underpayment for the excess benefits because of the rules of administrative finality, we considered the case accurate.⁶
 - Due additional benefits. Specifically, we calculated the amount of additional benefits due the beneficiary through the date of the sampled underpayment.
 - Further, if we determined SSA paid excess benefits or owed additional benefits totaling less than \$100, we considered the payment error immaterial and the case accurate.

We conducted our review between July 2016 and January 2017 in Kansas City, Missouri. The principle entity audited was the Office of Operations. We determined the data used for this audit were sufficiently reliable to meet our objective. 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶ Under the rules of administrative finality, SSA generally only corrects erroneous determinations resulting in excess OASDI benefit payments if they are found within 4 years. SSA, POMS, GN 04001.001 C (September 9, 2011) and GN 04001.010 (December 22, 1989).

Appendix B – SAMPLING METHODOLOGY AND RESULTS

Sampling

We established our sampling frame as detailed in Appendix A.

From our sampling frame, we selected a random sample of 250 underpayments for review (see Table B–1).¹

Table B–1: Sampling Frame and Sample Size

Sampling Frame Size (identified in 1 segment of the Payment History Update System)	52,115
Sample Size	250
Total Population (Sampling Frame Size x 20 segments) ²	1,042,300

Sample Errors and Projections

From the 250 sampled underpayments, the Social Security Administration (SSA) issued 62 (25 percent) incorrectly, with payment errors totaling \$90,235. We divided these errors into two categories: those involving excess benefits paid and those involving additional benefits due.

Excess Benefits Paid

From the 250 sampled underpayments, SSA issued 45 (18 percent) for amounts greater than what was due the beneficiaries when the sampled payments were issued. We project that SSA employees manually issued 187,620 underpayments for amounts greater than what was due (see Table B–2).

¹ During our sample review, we found that three underpayments did not meet our audit criteria because they resulted from the issuance of conserved funds. These underpayments were included in our data file because they did not meet the criteria we used to exclude conserved funds. We randomly selected replacements for these cases. Additionally, we replaced a fourth case because a member of our audit team had taken an action on it when employed in a program service center.

² SSA records payments to beneficiaries in the Payment History Update System, which is divided into 20 segments based on the last 2 digits of the beneficiaries' Social Security numbers. One segment of the Payment History Update System represents 5 percent of the total population of beneficiaries. Because each segment contains similar characteristics, the results of the audit are representative of the entire population.

Table B–2: Quantity of Underpayments with Excess Benefits Paid

Description	Number of Underpayments
Sample Results (for 1 segment)	45
Projected Quantity (for 1 segment)	9,381
Projection – Lower Limit	7,355
Projection – Upper Limit	11,707
Population Estimate (Projected Quantity x 20 segments)	187,620

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

For these 45 underpayments, SSA employees paid the beneficiaries excess benefits totaling \$69,348. Therefore, we project SSA paid approximately \$289 million more than was due (see Table B–3).

Table B–3: Amount of Excess Benefits Paid

Description	Amount of Excess Benefits Paid
Sample Results (for 1 segment)	\$69,348
Point Estimate (for 1 segment)	\$14,456,226
Projection – Lower Limit	\$9,651,882
Projection – Upper Limit	\$19,260,570
Population Estimate (Point Estimate x 20 segments)	\$289,124,520

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

Additional Benefits Due

From the 250 sampled underpayments, SSA issued 17 (7 percent) for amounts less than what was due the beneficiaries when the sampled payments were issued. We project that SSA employees manually issued 70,880 underpayments for amounts less than what was due the beneficiaries (see Table B–4).

Table B-4: Quantity of Underpayments with Additional Benefits Due

Description	Number of Underpayments
Sample Results (for 1 segment)	17
Projected Quantity (for 1 segment)	3,544
Projection – Lower Limit	2,285
Projection – Upper Limit	5,220
Population Estimate (Projected Quantity x 20 segments)	70,880

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

For these 17 underpayments, SSA owed the beneficiaries additional benefits totaling \$20,887. Therefore, we project SSA manually issued underpayments for \$87 million less than what was due (see Table B-5).

Table B-5: Amount of Additional Benefits Due

Description	Amount of Additional Benefits Due
Sample Results (for 1 segment)	\$20,887
Point Estimate (for 1 segment)	\$4,354,146
Projection – Lower Limit	\$1,567,341
Projection – Upper Limit	\$7,140,951
Population Estimate (Point Estimate x 20 segments)	\$87,082,920

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 17, 2017

Refer To: SIJ-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall /s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Manual Actions to Issue Old-Age, Survivors and Disability Insurance Underpayments Less Than \$6,000" (A-07-17-50153)--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,
“MANUAL ACTIONS TO ISSUE OLD-AGE, SURVIVORS AND DISABILITY
INSURANCE UNDERPAYMENTS LESS THAN \$6,000” (A-07-17-50153)**

General Comment

Thank you for the opportunity to review the draft report. We are committed to ensuring the public’s trust by protecting taxpayer funds. As such, we strive to timely issue our beneficiaries the correct benefit amount. Our automated systems have the ability to review payment records to determine if additional benefits are due, and if appropriate, take action to release a payment. However, our automated systems are unable to process all actions. When our automated system is unable to process an action, our technicians manually review the record and take action to release any monies due. Most of these require manual computations, which are time consuming and complex. We have tools in place to assist technicians with these complex computations; however, their utilization is inconsistent. We will remind our technicians of the tools available to them to ensure proper payment of benefits.

Recommendation 1

Review and take appropriate actions on the beneficiaries we identified who were paid excess benefits, including the 34 overpaid beneficiaries from our random sample and the 6 overpaid beneficiaries who had multiple underpayments.

Response

We agree.

Recommendation 2

Review and take appropriate actions on the beneficiaries we identified who were due additional benefits, including the 11 underpaid beneficiaries from our random sample and the 2 underpaid beneficiaries who had multiple underpayments.

Response

We agree.

Recommendation 3

Based on the results of its corrective actions for the payment errors we identified, determine the cost-effectiveness of taking appropriate actions on additional manual underpayments that may need correction.

Response

We agree.

Recommendation 4

Encourage PSC employees to complete payment worksheets and document them in SSA's systems before issuing manual underpayments.

Response

We agree.

Recommendation 5

Determine the feasibility of implementing periodic reviews of manually issued underpayments less than \$6,000, focusing on beneficiaries who had multiple underpayments given that our review identified these as higher risk for error

Response

We agree.

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