



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Follow-up on Claims Denied Because Claimants Were Not Insured for Benefits

052303 January 2026



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: January 8, 2026

Refer to: 052303

To: Frank Bisignano
Commissioner

From: Michelle L. Anderson *Michelle L. Anderson*
Assistant Inspector General for Audit as First Assistant

Subject: Follow-up on Claims Denied Because Claimants Were Not Insured for Benefits

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration's employees made the correct decisions when they denied retirement applications for claimants who did not appear to be insured for benefits but had covered earnings in the year of filing.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Jeffrey Brown, Deputy Assistant Inspector General for Audit.

Attachment

Follow-up on Claims Denied Because Claimants Were Not Insured for Benefits 052303



January 2026

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration's (SSA) employees made the correct decisions when they denied retirement applications for claimants who did not appear to be insured for benefits but had covered earnings in the year of filing.

Background

This audit is a follow up to our 2016 review of *Retirement Claim Denials Because of Lack of Insured Status*.

Generally, to be insured for retirement benefits, a claimant must have 40 quarters of covered earnings and have attained age 62. SSA employees should not deny a retirement claim if the claimant is not insured for benefits at the time of filing but will become insured within 4 months and evidence of the earnings is available.

We obtained the records of 450,209 retirement claims filed between May 2014 and June 2023 that SSA employees determined the claimants lacked insured status. From this, we identified 4,077 claimants who may have been insured because they had 40 or more quarters of coverage in the year of filing.

Results

Of the 100 claimants in our sample, SSA employees denied retirement claims for 43 who alleged lag earnings when they filed their claims, were fully insured, and entitled to retirement benefits but employees did not consider their lag earnings. Despite reminders issued to employees after our prior review, employees denied the retirement claims because they determined the claimants lacked insured status; however, the claimants had lag earnings when they filed their claims.

Based on sample results, we estimate, from May 2014 to June 2023, employees denied retirement benefits to 1,753 claimants who were insured for benefits. Of these, 1,347 claimants were entitled to over \$3 million in retirement benefits.

Without controls and processes to ensure employees identify, review, and document lag earnings, SSA will continue denying millions of dollars in retirement benefits to claimants who should be receiving them. Depriving retired individuals of the benefits to which they are entitled could have a significant and harmful effect on beneficiaries, including financial hardship and emotional distress.

Recommendations

We recommend SSA take appropriate action to award retirement benefits to the claimants identified in our audit and establish controls to prevent future errors. SSA agreed to implement our recommendations.

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ABBREVIATIONS

AM	Administrative Message
OASDI	Old-Age, Survivors, and Disability Insurance
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's (SSA) employees made the correct decisions when they denied retirement applications for claimants who did not appear to be insured for benefits but had covered earnings in the year of filing.

BACKGROUND

SSA administers the Old-Age, Survivors, and Disability Insurance (OASDI) program under Title II of the *Social Security Act*. OASDI provides benefits to wage earners and entitled family members in the event a wage earner retires, becomes disabled, or dies.¹ A claimant must be insured to be entitled to retirement benefits based on their own earnings. Generally, to be insured, a claimant must have 40 quarters of covered earnings and have attained age 62.² SSA uses earnings recorded on the claimant's earnings record to determine the claimant's entitlement for benefits and to calculate benefit amounts.³

When SSA receives a retirement claim, an employee reviews the claimant's earnings record. If the claimant is not insured, the employee will deny the retirement claim. The employee must consider any lag earnings—recent earnings that have not been recorded on the claimant's earnings record—before concluding that a claimant is not insured for benefits and denying the retirement claim. In addition, an employee should not deny a retirement claim if the claimant is not insured for benefits at the time of filing but will become insured within 4 months and evidence of the earnings is available.⁴

The SSA employee must also determine whether the claimant previously filed a claim that the Agency denied and, if so, review the prior claim to determine whether SSA appropriately denied it. If, after the claimant filed the prior claim, earnings are posted to the claimant's earnings record, the employee should reconsider the prior claim's denial and determine whether the claimant was insured when they filed it. If the SSA employee reopens the prior claim and determines the claimant was insured when he or she filed the prior claim, the claimant would generally be entitled for benefits based on the earlier claim.⁵

PRIOR AUDIT

In a January 2016 review, we found SSA needed to improve its controls to ensure employees did not deny retirement benefits to claimants who were insured.⁶ We estimated SSA denied benefits to 3,575 insured claimants from January 2004 to April 2014. Of these, 3,154 were entitled to \$20.8 million in retirement benefits.

¹ *Social Security Act* §§ 201-202, 42 U.S.C. §§ 401-402.

² *Social Security Act* § 202(a) and 42 U.S.C. § 402(a); SSA, *POMS*, RS 00301.105, A and B (October 10, 2023).

³ *Social Security Act* § 205(c)(2)(A), 42 U.S.C. § 405(c)(2)(a).

⁴ SSA, *POMS*, GN 01010.440, B (December 12, 2014).

⁵ SSA, *POMS*, GN 04030.070, B (April 8, 2024), GN 04001.010 (December 22, 1989), and GN 04020.070 (September 1, 2005).

⁶ SSA, OIG, *Retirement Claim Denials Because of Lack of Insured Status* (A-09-14-34107), January 2016.

We recommended SSA: (1) take corrective action to award retirement benefits, as appropriate, to the 68 claimants we sampled in our audit; (2) evaluate the results of its corrective action for the 68 claimants and determine whether it should review the remaining population of 5,157 claimants; and (3) remind employees to (a) develop for lag earnings if a claimant's entitlement to retirement benefits is dependent on those earnings and (b) review the prior applications for individuals who file new claims and may be entitled to additional benefits based on their earlier filing dates.

SSA agreed to implement our recommendations and stated it evaluated the 68 claims we identified and took the necessary corrective actions for 33 and the actions needed for any of the remaining 5,157 claims in the population. Additionally, SSA issued administrative messages in August 2016 and October 2019 that reminded employees to use lag earnings to verify claimants' insured status and review prior claims before they adjudicate claims.⁷

SCOPE AND METHODOLOGY

We obtained the records of 450,209 claimants who filed retirement claims between May 2014 and June 2023 and SSA employees denied the claims because they determined the claimants lacked insured status. From these, we identified 4,077 claimants who had 40 or more quarters of covered earnings in the year of filing (and therefore appeared to be insured for benefits).⁸ From this population, we selected a random sample of 100 claims for review.⁹

RESULTS OF REVIEW

Of the 100 claimants in our sample, 43 were not insured when they filed their claims but alleged they had lag earnings and would be insured within 4 months; however, SSA employees did not properly consider the earnings and denied the claims. Of these, 35 claimants were entitled to \$134,894 in retirement benefits.¹⁰ Additionally, for 31 of these claimants, there was no evidence in SSA's systems that employees requested proof of lag earnings as SSA policy requires.¹¹ Despite reminders issued to employees in 2016 and 2019 regarding using lag earnings to verify insured status and review prior claims, we could not determine why employees did not follow required policy and procedures.¹² There was no evidence or documentation in the system that indicated employees took required actions.

⁷ SSA, *Administrative Message*, AM-16057 (August 26, 2016) and AM-19060 (October 16, 2019).

⁸ Some of these claims were made before SSA issued employees two reminders to use lag earnings to verify claimants' insured status and review prior claims before they adjudicate claims.

⁹ For more information about our scope and methodology, refer to Appendix A.

¹⁰ Of the remaining individuals, six did not have benefits payable because they were entitled to higher benefits on their spouses' records, one did not have benefits payable because they subsequently filed and SSA awarded retirement benefits, and one subsequently filed and was not entitled for reasons other than lack of insured status.

¹¹ For two claimants, SSA employees denied the claims when it appeared they were in the process of updating the earnings record or received proof of earnings before processing the denial. For two additional claimants, SSA denied the claims because the claimants did not provide adequate proof of earnings to establish insured status. When the claimants later filed for benefits, SSA employees did not consider their earlier filings.

¹² SSA's latest reminder in response to our prior audit was in October 2019. Of the 43 claimants we identified, 18 had a filing date before 2019 and 25 had a filing date in 2019 or later.

For example, a claimant filed for retirement benefits in July 2020. At that time, the earnings record indicated the claimant was not insured, but the claimant alleged to have additional earnings that were not recorded on the earnings record. There was no evidence in SSA's systems that an employee requested proof of the claimant's alleged earnings and therefore an employee denied the claim. In February 2021, the claimant's additional earnings were recorded on the earnings record as part of the annual wage-reporting process. These earnings made the claimant insured for benefits effective October 2020. The claimant started receiving benefits on her spouse's record in December 2020. However, the claimant would have received \$389 in additional benefits had SSA approved benefits on her own record beginning in October 2020. As of July 2025, SSA had not taken corrective action and still owed the claimant \$389.

Eight of the 43 claimants subsequently filed new claims. However, when they filed the subsequent claims, SSA employees did not review the prior claims as policy required to determine whether the claimants were insured and entitled for benefits based on the earlier claims.¹³ We could not determine why employees did not follow required policy and procedures.

For example, an individual filed a claim in April 2022 and an employee denied the claim because the earnings record did not indicate the claimant had 40 quarters of covered earnings. The claimant alleged to have additional earnings that were not recorded on the earnings record. In February 2023, the earnings were recorded on the claimant's earnings record, confirming the claimant was insured for benefits when she initially filed a claim in April 2022. The claimant filed another claim in June 2023. However, the employee did not consider the prior claim and awarded the claimant benefits effective June 2023 instead of June 2022. SSA would have paid the claimant an additional \$2,317 had an employee approved benefits beginning April 2022. As of July 2025, SSA had not taken corrective action and still owed the claimant \$2,317.

Based on our sample results, we estimate, from May 2014 to June 2023, employees denied retirement benefits to 1,753 claimants who were insured for benefits. Of these, 1,347 claimants were entitled to over \$3 million in retirement benefits.¹⁴

CONCLUSION

SSA relies on claimants to provide evidence of their earnings and employees to review those earnings records and document whether claimants are insured. SSA could better assist claimants and reduce the risk of employee errors by improving its controls. For example, the Agency could enhance the claims system to prevent employees from awarding or denying benefits without first documenting whether they requested proof of, or reviewed, alleged lag earnings. In addition, SSA could design the claims system to alert employees when claimants' have prior claims that employees need to review.

¹³ In one of the eight cases, SSA gave the claimant the earliest possible date of entitlement.

¹⁴ For more information about our sample results, see Appendix A.

Without controls and processes to ensure employees identify, review, and document lag earnings, SSA will continue denying millions of dollars in retirement benefits to claimants who are insured for them. Depriving retired individuals of the benefits to which they are entitled could have a significant and harmful impact on beneficiaries, including financial hardship and emotional distress.

RECOMMENDATIONS

We recommend SSA:

1. Take appropriate action to award retirement benefits to the 35 claimants identified in our audit.
2. To prevent future errors, establish controls to ensure employees request and document evidence of lag earnings when claimants allege such earnings.
3. To prevent future errors, establish controls to ensure employees review prior retirement claims for claimants who may be entitled to additional benefits based on prior claims.

AGENCY COMMENTS

SSA agreed to implement our recommendations; see Appendix C.

OTHER MATTERS

Claimants are responsible for informing SSA that they have earnings that are not reflected on their earnings records and providing evidence of those earnings for SSA to consider when they determine the claimants' entitlement for retirement benefits. If the claimants did not allege they had lag earnings or did not provide proof of earnings when they filed their claims, then employees correctly denied the claims because the claimants were not insured.

SSA appropriately denied 48 of the 100 claimants in our sample. However, considering the earnings that were posted to their records after employees denied their claims, these 48 claimants were (1) in fact insured when they filed their claims, or (2) became insured within 4 months thereafter. In total, they were entitled to \$453,829.

Four of the 48 claimants filed subsequent claims, but SSA employees did not consider the prior claims as required by policy.¹⁵ When the claimants filed their subsequent claims, they had information on their earnings records that indicated they were insured for benefits when they filed their prior claims. SSA correctly denied the claims at the time of filing, but did not later review the claims to identify potential entitlement. We could not determine why employees did not follow required policy and procedures. When employees do not consider prior denied retirement claims, the dates of entitlement may be incorrect, which may result in claimants not receiving all the benefits to which they are entitled.

¹⁵ SSA, *POMS*, GN 01010.100 (August 8, 2023) and GN 01010.035 (November 10, 2011).

When SSA denies claims for claimants who were not insured for benefits, it sends a letter advising the claimant they need to have a certain amount of work credits to receive benefits. SSA also includes a pamphlet that explains how work credits are earned. The letter also advises the claimant to apply again when they have earned the additional credits needed to be insured for benefits. SSA does not take any other action on these claims after it sends the letters unless the claimants file subsequent claims.

SSA recognizes it has a duty to identify and notify individuals who may be entitled to additional benefits. Individuals whose claims the Agency denied because they were not insured but later become insured face similar circumstances as widow(er)s who become entitled for higher benefits on their own earnings records. SSA sends notices informing those widow(er)s so they may file for higher benefits. We believe SSA could use a similar process to identify and notify claimants who did not allege lag earnings when they filed claims for retirement benefits, but for whom SSA subsequently received earnings information.

We are not making a formal recommendation but are bringing this to SSA's attention for any action it deems is warranted.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed the application sections of the *Social Security Act*, United States Code, and Social Security Administration's (SSA) Program Operations Manual System.
- Corresponded with SSA employees from the Offices of Operations and the Chief Information Officer.
- Identified from the Master Beneficiary Record and Master Earnings File 4,077 claimants who had a filing date from May 2014 through June 2023 and 40 or more quarters of covered earnings in the year of filing, and SSA denied retirement benefits for lack of insured status.
- Selected and reviewed a random sample of 100 claimants from our population to determine whether
 - there were lag earnings,
 - the claimant previously filed a claim,
 - SSA calculated the benefit amount correctly, and
 - SSA awarded the claimant benefits in the correct month of entitlement.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of five internal control components. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following component and principle as significant to the audit objective.

- Component 3 – Control Activities
 - Principle 12: Implement Control activities

We assessed the reliability of the computer-based data by performing electronic testing and reviewing existing information about the data and the system that produced them.

We determined the data were sufficiently reliable for the purposes of this report.

We conducted our audit work from November 2023 to August 2025. The entity audited was the Office of Operations. We conducted this performance audit in accordance with the 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

We obtained our population as detailed in Appendix A. To conduct this review, we used a simple random sample statistical approach. This is a standard statistical approach used to create a sample from a population completely at random. As a result, each sample item had an equal chance of being selected throughout the sampling process, and the selection of one item had no impact on the selection of other items. Therefore, we were guaranteed to choose a sample that represented the population, absent human biases, and ensured statistically valid conclusions of, and projections to, the entire population under review. Our sampling approach for this review ensures our reported projections are statistically sound and defensible.

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	4,077
Sample Size	100

Of the 100 individuals in our sample, 43 were not insured when they filed their claims but alleged they had lag earnings and would be insured within 4 months; however, Social Security Administration (SSA) employees did not properly consider the earnings and denied their retirement claims for lack of insured status. Of these, 35 were entitled to \$134,894 in retirement benefits they did not receive, 6 did not have benefits payable because they were entitled to higher benefits on their spouses' records, 1 did not have benefits payable because they subsequently filed and SSA awarded retirement benefits, and 1 subsequently filed and was not entitled for reasons other than lack of insured status. Projecting our sample results to the population of 4,077 individuals, we estimate SSA denied retirement benefits to 1,753 fully insured individuals. Of these, approximately 1,347 individuals were entitled to over \$3 million in retirement benefits they did not receive.

Table B–2: Fully Insured Individuals

Description	Beneficiaries
Sample Results	43
Point Estimate	1,753
Projection – Lower Limit	1,415
Projection – Upper Limit	2,104

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

Table B–3: Fully Insured Individuals and Amount of Retirement Benefits

Description	Beneficiaries	Direct Payments
Sample Results ¹	33	\$72,336
Point Estimate	1,345	\$2,949,139
Projection – Lower Limit	1,033	\$1,855,050
Projection – Upper Limit	1,689	\$4,043,227
Outliers	2	\$62,558
Total (Point Estimate plus Outliers)	1,347	\$3,011,697

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

¹ Of the 35 individuals entitled to retirement benefits they did not receive, we removed two who were entitled to \$36,120 and \$26,438 from our projection calculations because they were outliers.

Appendix C – AGENCY COMMENTS



MEMORANDUM

Date: September 26, 2025

Refer To: TQA-1

To: Michelle L. Anderson
Acting Inspector General



From: Chad Poist
Chief of Staff

Subject: Office of the Inspector General Draft Report "Follow-up on Claims Denied Because Claimants Were Not Insured for Benefits" (052303) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the three recommendations. We continue to review our agency applications and processes to ensure that our ongoing efforts improve the accuracy of our claims-taking procedures and promote program integrity.

Please let me know if I can be of further assistance. You may direct staff inquiries to Amy Gao at (410) 966-1711.

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