

The Social Security Administration's Enforcement of the Earnings Test

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Office of Audit Report Summary

Objectives

To determine (1) whether the Social Security Administration (SSA) accurately and timely paid beneficiaries subject to the earnings test and (2) the administrative costs to enforce the earnings test.

Background

The earnings test is a provision of the *Social Security Act* that requires that SSA withhold payments from beneficiaries who are under full retirement age (FRA) if their earnings exceed a certain limit. To administer the earnings test, SSA employees and systems: (1) suspend benefits based on estimated earnings, (2) enforce the earnings test based on actual earnings, (3) calculate overpayments, and (4) increase monthly benefits effective at FRA if SSA withheld benefits because of the earnings test.

To accomplish our first objective, we obtained and reviewed three populations of beneficiaries affected by earnings-test provisions. To accomplish our second objective, we worked with SSA staff to obtain estimated administrative costs to enforce the earnings test in Fiscal Year (FY) 2021.

Results

SSA did not accurately or timely pay beneficiaries subject to the earnings test. As a result, we estimate SSA:

- inaccurately calculated approximately 47,000 of the 294,000 earnings-test overpayments established in FY 2021, totaling more than \$148 million;
- inaccurately paid approximately 9,000 beneficiaries approximately \$29 million based on estimated earnings that were more or less than their actual earnings; and
- did not timely pay approximately 176,000 beneficiaries approximately \$81 million in monthly benefit increases.

In general, SSA did not accurately calculate earnings-test overpayments because it used incorrect monthly earnings information when the monthly earnings test applied. SSA systems also contributed to the inaccurate and untimely payments due to programming limitations in the earnings enforcement process and outdated systems that issue earnings-test-related monthly benefit increases effective at FRA. SSA's unclear policies regarding when and how employees can grant earnings-test-related monthly benefit increases also likely contributed to SSA's untimely release of payments.

In FY 2021, SSA spent approximately \$70 million in administrative costs to enforce the earnings test. This estimated cost is conservative because there were many actions associated with administering the earnings test neither we nor SSA could quantify.

Recommendations

We made 10 recommendations for SSA to improve its administration of the earnings test. SSA agreed with our recommendations.