



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## *Audit Report*

### Government Pension Data for the Windfall Elimination Provision and Government Pension Offset Determinations

*A-13-20-50970 September 2023*



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** September 28, 2023

**Refer to:** A-13-20-50970

**To:** Kilolo Kijakazi  
Acting Commissioner

**From:** Gail S. Ennis   
Inspector General

**Subject:** Government Pension Data for the Windfall Elimination Provision and Government Pension Offset Determinations

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration appropriately applied the Windfall Elimination Provision and Government Pension Offset. We also gathered information about the Agency's efforts to obtain non-covered pension data for beneficiaries.

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 Michelle L. Anderson, Assistant Inspector General for Audit.

Attachment

# Government Pension Data for the Windfall Elimination Provision and Government Pension Offset Determinations

## A-13-20-50970



September 2023

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) appropriately applied the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO). We also gathered information about SSA's efforts to obtain non-covered pension data for beneficiaries.

### Background

The *Social Security Act* includes two provisions—WEP and GPO—that reduce or offset monthly Old-Age, Survivors and Disability Insurance (OASDI) benefits paid to individuals who receive a non-covered pension from employment in the United States or another country.

SSA primarily relies on claimants and beneficiaries to self-report entitlement to non-covered pensions. For retired Federal employees, the Agency receives monthly non-covered pension notifications from the Office of Personnel Management. However, SSA does not receive similar non-covered pension notifications from state, local, or foreign governments.

We reviewed pension evidence that supported the WEP and GPO determinations SSA made between January 2016 and June 2021. We also reviewed the Agency's actions for obtaining non-covered pension information.

### Results

SSA generally made accurate WEP and GPO determinations when it had the non-covered pension information it needed. However, the Agency continued relying on beneficiaries to self-report their non-covered pensions.

To directly receive non-covered pension data from other sources for OASDI beneficiaries, SSA made: (1) legislative proposals; (2) congressional requests to exchange state and local governments' pension data; and (3) requests to collect non-covered pension information directly from state and local governments or the Internal Revenue Service (IRS). SSA also intends to revise its SSA's Foreign Enforcement Questionnaire to allow the Agency to collect foreign non-covered pension information.

Although SSA applied the provisions governing WEP and GPO programs and attempted to directly receive non-covered pension data from other sources, the Agency continued reporting WEP and GPO as two of the leading causes of improper payments in the OASDI program.

### Recommendation

We recommend SSA determine whether to seek legislation to amend the Internal Revenue Code to permit the IRS to share with SSA non-covered pension data for all OASDI beneficiaries.

SSA disagreed with our recommendation, stating the decision to propose legislation depends on multiple factors, many outside of the Agency's control. Also, SSA's legislative proposal process is pre-decisional and deliberative and cannot be discussed outside of what is published in the President's Budget.

We continue to recommend that SSA consider whether to seek legislative changes to amend the IRS code to permit the IRS to share with SSA non-covered pension data for all OASDI beneficiaries. SSA can work with the Office of Management and Budget on proposed legislation during the President's budget cycle. We believe proposed legislation and enacted changes in the IRS code will allow SSA to reduce improper payments related to WEP and GPO.

## TABLE OF CONTENTS

Objective.....	1
Background.....	1
Non-covered Pension Data and Evidence .....	2
The Agency's Internal Reviews .....	2
Prior Office of Inspector General Audits .....	3
Scope and Methodology .....	3
Results of Review .....	4
Lack of Direct Receipt of Non-covered Pension Data .....	4
Efforts to Directly Receive Non-covered Pension Data .....	5
Conclusion .....	6
Recommendation.....	6
Agency Comments.....	6
The Office of the Inspector General's Response .....	6
Appendix A – Scope and Methodology .....	A-1
Appendix B – Non-covered Pension Information.....	B-1
Appendix C – Sampling Methodology and Results .....	C-1
Appendix D – Related Office of the Inspector General Reports .....	D-1
Appendix E – Agency Comments.....	E-1

## **ABBREVIATIONS**

C.F.R.	Code of Federal Regulations
Fed. Reg.	Federal Regulation
GPO	Government Pension Offset
IRS	Internal Revenue Service
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OPM	Office of Personnel Management
POMS	Program Operations Manual System
SSA	Social Security Administration
WEP	Windfall Elimination Provision
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) appropriately applied the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO). We also gathered information about SSA's efforts to obtain non-covered pension data for beneficiaries.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program to provide monthly benefits to retired or disabled workers and their families and to certain survivors of deceased workers.<sup>1</sup> An individual may be eligible for benefits based on their own, or a spouse's, work history.

The *Social Security Act* includes two provisions—WEP and GPO—that reduce monthly benefits paid to beneficiaries who receive a non-covered pension.<sup>2</sup> A non-covered pension is paid by an employer that does not withhold Social Security taxes from the employee's salary—typically Federal, state, and local governments or foreign employers.

- WEP eliminates “windfall” Social Security benefits for retired and disabled workers who receive non-covered pensions. Under WEP, SSA uses a modified formula to determine a wage earner's monthly Social Security benefit.<sup>3</sup>
- GPO reduces monthly Social Security benefits for spouses, divorced spouses, and surviving spouses who receive non-covered pensions based on their own work for a Federal, state, or local government. The GPO reduction generally equals two-thirds of the non-covered pension.<sup>4</sup>

Individuals who are eligible for retirement benefits based on their own work history and spousal benefits based on their spouse's work history may be dually entitled to those benefits.<sup>5</sup>

Under certain conditions, beneficiaries may receive an exclusion from WEP or exemption from GPO.<sup>6</sup> SSA reported that, as of December 2022, approximately 2 million beneficiaries were affected by WEP and 734,601 by GPO. Of the beneficiaries subject to GPO, 511,487 (70 percent) had benefits fully offset, and about 223,114 (30 percent) had their benefits partially offset.<sup>7</sup>

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<sup>1</sup> *Social Security Act*, 42 U.S.C. §§ 402(a-h) and 423(a) (1)-(2).

<sup>2</sup> *Social Security Act*, 42 U.S.C. §§ 415(a)(7) and 402(k)(5).

<sup>3</sup> *Social Security Act*, 42 U.S.C. § 415(a)(7)(B) and (d)(3); 20 C.F.R. §§ 404.213 and 404.243; and SSA, *POMS*, RS 00605.360 (June 24, 2013).

<sup>4</sup> *Social Security Act*, 42 U.S.C. § 402(k)(5); 20 C.F.R. § 404.408a(d) and SSA, *POMS*, GN 02608.100 (June 23, 2022).

<sup>5</sup> SSA, *POMS*, RS 00615.020, A. (August 21, 2014).

<sup>6</sup> SSA, *POMS*, RS 00605.362 (August 15, 2023) and GN 02608.101 (May 23, 2017) through GN 02608.107 (July 27, 2023).

<sup>7</sup> SSA, Office of Research, Evaluation, and Statistics, *WEP and GPO Reports*, December 2022. (We did not independently verify the accuracy of these data.)

## Non-covered Pension Data and Evidence

To administer the WEP and GPO provisions, SSA primarily relies on claimants/beneficiaries to self-report their entitlement to non-covered pensions.<sup>8</sup> The beneficiary provides pension evidence, if required by policy, from the employer or pension-paying agency that shows the non-covered pension amount, effective date, and expected future pension increases.<sup>9</sup>

For retired Federal employees, SSA receives monthly pension notifications from the Office of Personnel Management (OPM).<sup>10</sup> SSA matches OPM's Annuity and Survivors Master file, which contains non-covered pension payment information for civil service annuitants, to its Master Beneficiary Record (MBR).<sup>11</sup> The WEP match helps SSA determine whether beneficiaries must be subject to, or exempt from, WEP. The GPO match helps SSA determine whether it must initiate offset, change the offset dollar amount, or exempt the beneficiary from GPO. However, SSA does not receive or exchange non-covered pension information for state, local, or foreign governments.

To calculate monthly OASDI benefits, SSA requires information on the entitlement month and amount of the non-covered pension a beneficiary receives. Since state, local, and foreign non-covered pensions may affect the OASDI benefits an individual receives, the Agency needs the claimant or beneficiary's non-covered pension data to accurately calculate benefits.<sup>12</sup> SSA requires that beneficiaries self-report when they have non-covered pensions; however, the Agency has acknowledged beneficiaries do not always fully comply with this requirement.<sup>13</sup>

## The Agency's Internal Reviews

SSA reported making improper payments, in part, because it did not correctly apply WEP or GPO for the following reasons:<sup>14</sup>

- SSA employees did not understand non-covered pensions, such as the types of non-covered earnings, frequency of pension payments, and WEP and GPO computations;
- SSA's systems were not automated to minimize human error and ensure timely action in response to alerts;

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<sup>8</sup> SSA includes this guidance in the reporting responsibilities issued to claimants when they apply for, and the Agency awards, benefits.

<sup>9</sup> SSA, *POMS*, GN 02608.200, A.1.b (July 28, 2023) and RS 00605.366 (April 25, 2017).

<sup>10</sup> SSA, *POMS*, GN 02608.301 (March 8, 2013) and RS 00605.374 (August 7, 2013).

<sup>11</sup> OPM estimates its civil service benefit and payment data are 95-percent accurate. *Computer Matching Agreement Between the Office of Personnel Management and the Social Security Administration*, Effective September 11, 2021 to March 10, 2023, Matches #1005, #1019, #1020 and #1021.

<sup>12</sup> SSA, *POMS*, GN 02608.200, A.1.a (July 28, 2023) and RS 00605.364, C (November 12, 2020).

<sup>13</sup> SSA, Office of Analytics, Review, and Oversight, *Fiscal Year 2021 Title II Payment Accuracy Report*, pp.9, 10, and 14 (August 2022).

<sup>14</sup> SSA, Office of Analytics, Review, and Oversight, *Title II Payment Accuracy Reports* issued 2011 through 2022.

- there was a lack of accurate and accessible data about non-covered pensions from state, local, and foreign governments; and
- beneficiaries did not always report to SSA they were receiving non-covered pensions.

In response to an Office of Management and Budget request, SSA developed a corrective action plan to mitigate the WEP and GPO-related improper payments.<sup>15</sup> As part of this plan, the Agency: (1) released the WEP and GPO training modules to employees; (2) provided refresher training on post-entitlement actions; (3) updated various policy references; (4) modified its information systems to allow for automated calculations for non-covered pensions and provide questions to encourage accurate beneficiary self-reporting; and (5) implemented several automation enhancements and alerts.

## Prior Office of Inspector General Audits

Our prior audits identified improper payments related to WEP and GPO.<sup>16</sup> For example, in 2011, we estimated SSA overpaid about 24,900 beneficiaries approximately \$623.8 million because they were receiving non-covered pensions from state or local governments, but SSA had not reduced their benefits. We also estimated these beneficiaries would receive approximately \$869.9 million in additional overpayments over their lifetimes, unless SSA corrected these payment errors.<sup>17</sup> In addition, we found SSA did not always:

- obtain, or act on, available non-covered pension information to correctly calculate benefits that were subject to WEP or GPO;
- take appropriate follow-up actions when spouses and widow(er)s report they will receive non-covered pensions in the future and update beneficiaries' future pension entitlement dates;
- apply WEP and GPO correctly; or
- receive state or local governments' non-covered pension information.<sup>18</sup>

## SCOPE AND METHODOLOGY

We reviewed Federal laws and regulations as well as SSA's policies and procedures for WEP and GPO. Additionally, we reviewed the Agency's internal quality review reports and prior audit reports related to SSA's application of WEP and GPO as well as corrective actions taken to address recommendations in those reports.

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<sup>15</sup> SSA's Comprehensive WEP and GPO Corrective Action Plan (April 2016).

<sup>16</sup> See Appendix D.

<sup>17</sup> SSA, OIG, *Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions*, A-13-10-10143 (November 2011).

<sup>18</sup> See Footnote 17.

We obtained a file of OASDI beneficiaries for whom SSA made WEP and GPO determinations. For beneficiaries who became entitled to OASDI benefits between January 2016 and June 2021, SSA made WEP determinations for 20,754 beneficiaries and GPO determinations for 2,238 beneficiaries. Of these, we selected a sample of 300 beneficiaries, including 100 for whom SSA applied WEP and 200 for whom SSA applied GPO. We also obtained the OPM Annuity and Survivors Master file as of November 2021.

We interviewed SSA subject-matter experts, reviewed information concerning the Agency's efforts to reduce improper payments related to its application of WEP and GPO, and examined its actions for obtaining non-covered pension information. For additional information about our scope and methodology, see Appendix A. For additional information about our sampling methodology, see Appendix C.

## **RESULTS OF REVIEW**

SSA obtained non-covered pension evidence and appropriately applied WEP and GPO determinations for 280 (96 percent) of the 293 beneficiaries we reviewed.<sup>19</sup> Based on our analysis, we concluded SSA generally made accurate WEP and GPO determinations when it had the non-covered pension information it needed. However, the Agency continued relying significantly on beneficiaries to self-report their non-covered pensions. SSA does not directly receive from state, local, or foreign governments non-covered pension data for all claimants and beneficiaries. Despite efforts to receive non-covered pension data directly from other sources, the Agency continued reporting WEP and GPO as two of its leading causes of improper payments.

### **Lack of Direct Receipt of Non-covered Pension Data**

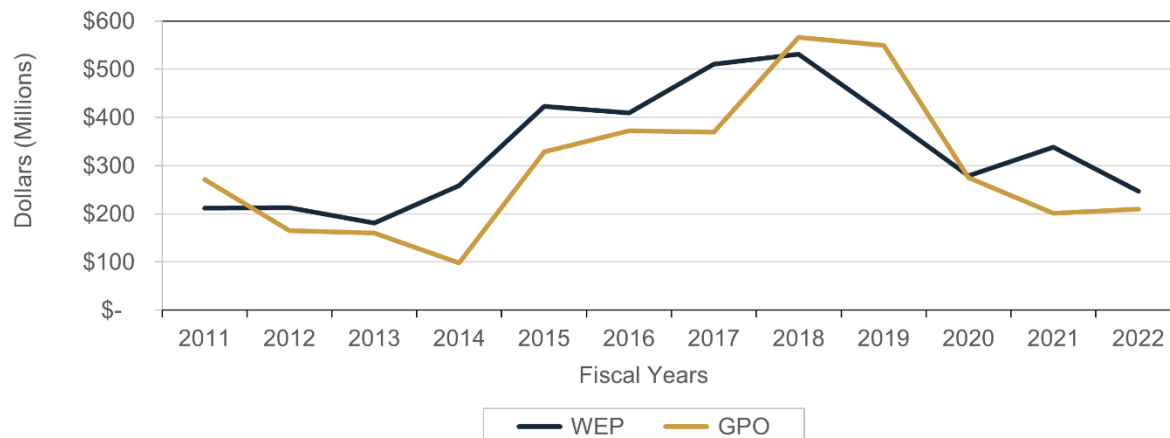
In August 2022, SSA reported it made more than \$457 million in improper payments related to WEP and GPO. The Agency reported these improper payments occurred because SSA continued making administrative errors, and beneficiaries failed to self-report receipt of, or changes to, non-covered pensions.<sup>20</sup> See Figure 1 for the improper payments related to WEP and GPO over the past 11 years.

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<sup>19</sup> Of the 300 beneficiaries we sampled, 6 were deceased, and 1 was expected to receive a non-covered pension in the future. Of the 293 beneficiaries we reviewed, SSA did not always obtain or properly document non-covered pension information in its information systems for 13 beneficiaries. We referred these beneficiaries to SSA for review and corrective action, as appropriate. Furthermore, we concluded these errors were not significant; consequently, we are not making any recommendations based on our analysis of sample beneficiaries. Refer to Appendix B for additional information.

<sup>20</sup> SSA, Office of Analytics, Review, and Oversight, *Fiscal Year 2021 Title II Payment Accuracy Report*, pp.9, 10, and 14, and Appendix A (August 2022).

**Figure 1: WEP and GPO Improper Payments<sup>21</sup>**



## Efforts to Directly Receive Non-covered Pension Data

Although SSA instructs its employees to emphasize that beneficiaries need to report non-covered pension information, SSA acknowledged there is an inherent challenge beneficiaries may not be forthcoming and, in some cases, remain non-compliant. As such, the Agency made several efforts to improve the collection of non-covered pension information from state, local, and foreign governments.

SSA requested the Internal Revenue Service (IRS) collect information for SSA or establish a data match to provide SSA with non-covered pension information using its Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* The IRS is authorized to share information with SSA to support SSA's administration of the Supplemental Security Income program;<sup>22</sup> however, the IRS indicated the Internal Revenue Code does not permit it to disclose non-covered pension information to SSA for purposes of administering the OASDI program.

From FYs 2012 through 2017 and 2019 through 2021, the President's budget included legislative proposals that would have provided funds for SSA to develop systems that would enable states to report non-covered pension information directly to SSA.<sup>23</sup> In 2016, SSA also discussed establishing data exchanges for non-covered pensions with two states; however, states declined to provide the information to the Agency because of resource limitations or state privacy laws.

<sup>21</sup> SSA, Office of Analytics, Review, and Oversight, *Title II Payment Accuracy Reports* issued 2011 through 2022. We did not audit these data and therefore do not express an opinion about its completeness or accuracy.

<sup>22</sup> 26 U.S.C. § 6103.

<sup>23</sup> Office of Management and Budget, *President's Budget "Analytical Perspective, Budget of the U.S. Government"* for FYs 2012 through 2017 and 2019 through 2021.

SSA plans to revise its Form SSA-7162, *Foreign Enforcement Questionnaire*, by December 2023 to allow the Agency to collect foreign non-covered pension information from beneficiaries.<sup>24</sup>

## CONCLUSION

If SSA does not directly receive or exchange non-covered pension information from the IRS or state, local, and foreign governments, it will continue making improper payments related to WEP and GPO because legal and regulatory limitations hinder its ability to directly receive non-covered pension information for OASDI beneficiaries.

## RECOMMENDATION

We recommend SSA determine whether to seek legislation to amend the Internal Revenue Code to permit the IRS to share with SSA non-covered pension data for all OASDI beneficiaries.

## AGENCY COMMENTS

SSA disagreed with our recommendation, stating the decision to propose legislation depends on multiple factors, many of which are outside of the Agency's control. Also, SSA considers its legislative proposal process to be pre-decisional and deliberative; therefore, it cannot discuss it outside of what is published in the President's Budget.

## THE OFFICE OF THE INSPECTOR GENERAL'S RESPONSE

We continue to recommend that SSA consider whether to seek legislative changes to amend the IRS code to permit the IRS to share with SSA non-covered pension data for all OASDI beneficiaries. SSA can work with the Office of Management and Budget on proposed legislation during the President's budget cycle. We believe proposed legislation and enacted changes in the IRS code will allow SSA to reduce improper payments related to WEP and GPO. See Appendix E for the full text of the Agency's comments.



Michelle L. Anderson  
Assistant Inspector General for Audit

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<sup>24</sup> Beneficiaries living outside the United States are required to complete Form SSA-7162 to report certain information that verifies their existence and identities and any other reportable events that may affect their entitlement to benefits.

# ***APPENDICES***

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objectives, we:

- Reviewed pertinent sections of the Social Security Administration's (SSA) policies and procedures, applicable laws, and regulations.
- Reviewed prior Office of the Inspector General reports pertaining to the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) and how SSA implemented prior recommendations related to the lack and/or usefulness of non-covered pension information.<sup>1</sup>
- Reviewed prior SSA Office of Analytics, Review, and Oversight reports and other internal and external studies pertaining to WEP and GPO.
- Obtained information from SSA to determine how it addressed its WEP and GPO challenges and implemented recommendations from its internal management and quality review reports related to the lack and/or usefulness of non-covered pension information.
- Obtained information from SSA to identify what prevented the Agency from obtaining non-covered pension data for all Old-Age, Survivors and Disability Insurance (OASDI) claimants and beneficiaries.
- Interviewed SSA subject-matter experts to obtain information regarding the WEP and GPO reviews, types of non-covered pensions, challenges accessing non-covered pension information, training, updated policies, and system enhancements.
- Reviewed information the Agency provided concerning data exchanges it attempted to enter into with state and local governments.
- Obtained information from SSA to identify actions it had taken to collect non-covered pension information.
- Obtained from one segment of SSA's Master Beneficiary Record (MBR) OASDI beneficiaries for whom SSA applied WEP or GPO between January 2016 and June 2021.

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<sup>1</sup> A non-covered pension is paid by an employer that does not withhold Social Security taxes from their salary, typically Federal, state, and local governments, or foreign employers.

- Developed six sampling frames of beneficiaries to whom SSA applied WEP or GPO between January 2016 and June 2021:
  1. WEP Applied (Federal Non-covered Pensions)
  2. WEP Applied (State Non-covered Pensions)
  3. Partial GPO Applied (Federal Non-covered Pensions)
  4. Partial GPO Applied (State Non-covered Pensions)
  5. Total GPO Applied (Federal Non-covered Pensions)
  6. Total GPO Applied (State Non-covered Pensions)
- From each of the six sampling frames, we reviewed statistically valid samples of 50 beneficiaries and determined whether: (1) SSA had non-covered pension documentation in its systems to support the WEP or GPO determinations; (2) pension evidence for non-covered pensions complied with *Program Operations Manual System* requirements; (3) a WEP or GPO overpayment existed, and if so, identified the cause for such; and (4) SSA's decision to impose the WEP or GPO was correct based on its policies and procedures (see Appendix C).
- Obtained non-covered pension information from the Office of Personnel Management's Annuity and Survivors Master File as of November 2021.
- Reviewed non-covered pension information from SSA's Claims File User Interface, Evidence Portal, MBR, Modernized Claims System, Online Retrieval System Notices, Informational Certified Earnings Record System, Shared Process System, and Non Disability Repository for Evidentiary Documents and other SSA records as necessary for the beneficiaries we sampled.

The principal entities audited were the Offices of Operations and Retirement and Disability Policy. We conducted our audit from June 2021 and February 2023. We determined the reliability of the Agency's MBR and Office of Personnel Management's Annuity and Survivors Master File by (1) reviewing related documentation to determine the completeness of the extracted data and (2) tracing the extracted data elements to the related queries in SSA's system to ensure the data were accurate. We determined the data used in this report were sufficiently reliable given our audit objectives intended use of the data.

We assessed the significance of internal controls necessary to satisfy the audit objectives. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objectives. We identified the following components and principles as significant to the audit objectives.

- Component 3: Control Activities
  - Principle 10: Design Control Activities
  - Principle 12: Implement Control Activities
- Component 4: Information and Communication
  - Principal 13: Use Quality Information
- Component 5: Monitoring
  - Principal 17: Remediate Deficiencies

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.

## **Appendix B – NON-COVERED PENSION INFORMATION**

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The Social Security Administration (SSA) miscoded the non-covered pension information for eight beneficiaries and did not record non-covered pension information for five beneficiaries.

### **Non-covered Pensions Miscoded During Initial Claims**

SSA employees must identify the types of non-covered pensions an individual receives and record the information in SSA's information systems. However, SSA staff miscoded non-covered government pension types in the Agency's information systems for eight beneficiaries for whom SSA had applied the Government Pension Offset (GPO). These errors can affect the accuracy of the Old-Age, Survivors and Disability Insurance (OASDI) benefits individuals are entitled to receive.

Of the eight beneficiaries, SSA staff coded the non-covered pension type for six as Federal. Although the miscoded non-covered pension types did not affect SSA's application of GPO, the pension evidence in its system showed the pension-paying agency was a state government. When non-covered pension types are incorrectly coded and do not represent the pension evidence, the beneficiaries' records are not accurate.

For the remaining two beneficiaries, SSA staff coded the non-covered pension type as Federal; however, the pension evidence in SSA's system indicated the pension-paying agency was a foreign employer. Because GPO does not apply to foreign non-covered pensions, SSA inappropriately applied GPO and reduced benefits for these two beneficiaries. The Agency identified the miscoding for one beneficiary, removed the erroneous GPO offset, and issued approximately \$11,300 in underpayments. However, SSA did not identify the miscoded non-covered pension type for the second beneficiary. After we notified SSA of this error, Agency staff removed the erroneous GPO and issued the beneficiary approximately \$2,600 in underpayments.

### **Lack of Non-covered Pension Evidence for Windfall Elimination Provision and Government Pension Offset**

We identified five beneficiaries for whom SSA did not have non-covered pension evidence in its systems.<sup>1</sup> This occurred because SSA staff did not request and/or store non-covered pension evidence to support pension amounts and related dates, as beneficiaries reported to SSA in their initial applications.

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<sup>1</sup> This includes one beneficiary for whom SSA applied the WEP and four beneficiaries for whom SSA applied GPO.

Although SSA depends on beneficiaries' self-reporting, the Agency requires pension evidence for the payment amounts and the dates of the non-covered pension to apply the Windfall Elimination Provision (WEP) and GPO.<sup>2</sup> Agency policy also states, if GPO applies, SSA should obtain evidence for the beginning month of the non-covered pension if a beneficiary alleges pension payments began after the date they became entitled to OASDI benefits, or the gross pension amount and pension effective date, respectively.<sup>3,4</sup> SSA employees can accept as non-covered pension evidence such information as:

- pension award letters;<sup>5</sup>
- pension payment statements;
- verbal or written evidence from the pension-paying agency or employer;<sup>6</sup> or
- Federal civil service pension data to verify the pension amount, pension entitlement month, or employment and eligibility dates.

Because SSA relies on beneficiaries' self-reporting, SSA could use inaccurate, non-covered pension information to apply the WEP and GPO and pay improper payments. We believe automated solutions would help alleviate the lack of pension evidence that supports pension payment amounts and related dates.

We encourage SSA to continue implementing corrective actions in adherence with the President's Executive Order<sup>7</sup> and as stated in our May 2022 report on *The Social Security Administration's Mail Processing During the COVID-19 Pandemic* (A-08-21-51115). In its response to our report, the Agency stated it was exploring options to allow customers to securely upload forms, documents, and evidence online. We believe SSA should include online versions of its most frequently sent notices, such as notices used to obtain non-covered pension information from beneficiaries who have state, local, or foreign non-covered pensions, and complete these efforts expeditiously as it is needed.

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<sup>2</sup> SSA, *POMS*, RS 00605.364 (November 12, 2020), GN 02608.400 (July 27, 2023), and GN 02608.200 (July 28, 2023).

<sup>3</sup> SSA, *POMS*, GN 02608.400 (July 27, 2023).

<sup>4</sup> If partial GPO applies, the claimant must provide evidence from the employer or pension-paying agency that shows the gross pension amount and the effective date of the non-covered pension. Additionally, if total GPO applies, SSA should obtain pension evidence for the beginning month of the non-covered pension if the beneficiary alleges pension payments began after the date of entitlement. SSA, *POMS*, GN 02608.200 (July 28, 2023) and GN 02608.300 (July 28, 2023).

<sup>5</sup> The claimant is responsible for securing evidence of their non-covered pension and providing it to SSA. Acceptable non-covered pension evidence includes award letters, pension-payment statements showing gross pension amount, or other correspondence from the pension-paying agency or the employer. SSA, *POMS*, RS 00605.366 (April 25, 2017).

<sup>6</sup> SSA staff can verify non-covered pension information by using SSA forms for the WEP and GPO to request necessary information from the employer or pension-paying agency.

<sup>7</sup> Executive Order No. 14058, *Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government*, 86 Fed. Reg. 71357 (December 13, 2021).

## Appendix C – SAMPLING METHODOLOGY AND RESULTS

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From the Social Security Administration's (SSA) Master Beneficiary Record (MBR),<sup>1</sup> we obtained five electronic data extracts of information from January 2016 to June 2021. The data extracts comprised beneficiaries who were receiving Old-Age, Survivors and Disability Insurance (OASDI) benefits and to whom SSA had applied the Windfall Elimination Provision (WEP) or Government Pension Offset (GPO).

We analyzed the information based on how SSA identified and categorized its non-covered pension sources.<sup>2</sup> Because SSA groups its non-covered pension sources differently for WEP and GPO beneficiaries, we could not accurately and clearly identify "local" pension sources for WEP as we had for GPO. Therefore, we restricted our review to only Federal and state non-covered pension sources for both WEP and GPO.

Based on how SSA groups its non-covered pension sources, we screened the extracted data for non-covered pension sources such as state or Federal that were (1) consistent and similar for both WEP and GPO and (2) easily identifiable in SSA's information systems. We excluded all other OASDI beneficiaries with inconsistent and similar non-covered pension sources for WEP and GPO and those with low-instance counts.

We identified 22,992 beneficiaries who were receiving OASDI benefits and for whom SSA had applied WEP or GPO. We randomly selected 300 samples to ensure our sample represented the population from which it was drawn.

We reviewed the samples to determine whether SSA's controls prevented or detected improper payments related to WEP and GPO by obtaining non-covered pension evidence and appropriately applying WEP and GPO determinations.

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<sup>1</sup> The electronic data extract comes from segment 19 of SSA's MBR. The MBR is divided into 20 segments that are separated based on the last 2 digits of the Social Security number.

<sup>2</sup> A non-covered pension is paid by an employer that does not withhold Social Security taxes from their salary, typically Federal, state, and local governments, or foreign employers.

Of the 300 OASDI beneficiaries we sampled, we did not review 6 who were deceased and 1 who expected to receive a non-covered pension in the future. Of the remaining 293 beneficiaries reviewed, SSA appropriately applied the WEP and GPO for 280 (96 percent). However, SSA was not in compliance with its policies for 13 beneficiaries: 8 had non-covered pension types that were miscoded in SSA's information systems,<sup>3</sup> and 5 had no non-covered pension evidence in SSA's systems, as shown in Table C-1.

**Table C–1: WEP and GPO Errors**

Provisions	Populations by Provision	Sample Sizes by Provision	Total Sample Items Reviewed	Total Sample Items Not Reviewed	Non-Covered Pension Types Miscoded		Lack of Non-Covered Pension Evidence
					No Dollar Errors	Dollar Errors	
WEP Applied <sup>4</sup>	20,754	100	98	2	0	0	1
GPO Applied <sup>5</sup>	2,238	200	195	5	6	2	4
<b>Total</b>	<b>22,992</b>	<b>300</b>	<b>293</b>	<b>7</b>	<b>6</b>	<b>2</b>	<b>5</b>

### Sample Errors Related to the Windfall Elimination Provision

Of the 98 sample items we reviewed that had WEP applied, SSA complied with its policies and procedures for 97. For the remaining beneficiary, there was no evidence to support the non-covered pension in SSA's systems to support pension payment amounts and related dates, as reported to SSA in their initial claim.

As of March 2023, SSA had not notified us it had taken corrective actions for the beneficiary who did not have pension evidence for non-covered pensions in SSA's systems.

<sup>3</sup> Of the eight OASDI beneficiaries to whom SSA applied GPO and SSA staff miscoded the non-covered pension type as "Federal," six had pension evidence in SSA's system that indicated the pension paying agency is a state employer and did not affect SSA's application of GPO (non-dollar errors). The remaining two beneficiaries had pension evidence in SSA's information systems that indicated the pension paying agencies were foreign employers, which affected SSA's application of GPO (dollar errors).

<sup>4</sup> WEP-applied sampling frames consist of beneficiaries with a Federal or state non-covered pension with a WEP reduction.

<sup>5</sup> GPO-applied sampling frames consist of beneficiaries with a Federal or state non-covered pension with a partial or total GPO offset applied.

Table C-2 shows the errors we identified related to the application of the WEP.

**Table C–2: WEP Errors**

WEP Sampling Frames	WEP Population	WEP Sample Size	Total Sample Items Reviewed	Total Sample Items Not Reviewed	Non-covered Pension Types Miscoded		Lack of Non-covered Pension Evidence
					No Dollar Errors	Dollar Errors	
WEP Applied Federal	4,466	50	50	0	0	0	0
WEP Applied State	16,288	50	48	2	0	0	1
<b>Total</b>	<b>20,754</b>	<b>100</b>	<b>98</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>

### Sample Errors Related to Government Pension Offset

Of the 195 sample items we reviewed for which SSA applied GPO, SSA complied with its policies and procedures for 183. However, eight beneficiaries had errors related to miscoded, non-covered pension types: two resulted in improper payments (dollar errors) and six did not result in improper payments (non-dollar errors). We also found four did not have pension evidence for non-covered pensions in SSA's systems to support pension payment amounts and related dates, as reported to SSA in their initial claim. As of March 2023, SSA had not notified us it had taken corrective actions for the remaining six beneficiaries whose non-covered pension types were miscoded and four beneficiaries who lacked pension evidence for non-covered pensions in SSA's systems. See Table C-3 for the errors we identified related to GPO.

**Table C–3: GPO Errors**

GPO Sampling Frames	GPO Sampling Frame Population	Total Sample Size	Total Sample Items Reviewed	Total Sample Items Not Reviewed	Non-covered Pension Types Miscoded		Lack of Non-covered Pension Evidence
					Non-Dollar Errors	Dollar Errors	
Partial GPO Applied Federal	184	50	47	3	2	2	1
Partial GPO Applied State	1,207	50	50	0	0	0	1
Total GPO Applied Federal	145	50	50	0	4	0	0
Total GPO Applied State	702	50	48	2	0	0	2
<b>Total</b>	<b>2,238</b>	<b>200</b>	<b>195</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>4</b>

## Projections for Sample Errors

We identified two GPO dollar errors that resulted in actual improper payments totaling \$13,814. We did not project these dollar errors. We combined and projected the non-dollar and dollar errors related to non-covered pension types that were miscoded in SSA's information systems. We identified eight errors that had non-covered pension types miscoded: six GPO non-dollar errors and two GPO dollar errors. Projecting the 8 errors to all 20 segments of the MBR, we estimate 90 beneficiaries (4 percent) had miscoded non-covered pension types in SSA's information systems (see Table C-4).

**Table C-4: Projections for Miscoded Non-covered Pension Types**

Description	Number of Beneficiaries
Sample Results (Table B-1)	8
Projected Quantity/Point Estimate	90
Projection Lower Limit	47
Projection Upper Limit	155

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

In addition, we combined and projected the errors related to the lack of non-covered pension evidence. We identified five errors that had no non-covered pension evidence in SSA's information systems to support pension payment amounts and related dates, as reported to SSA in their initial claims. The five errors consisted of one WEP error and four GPO errors. We estimate 56 (2.5 percent) did not have non-covered pension evidence for non-covered pensions in SSA's information systems to support pension payment amounts and related dates (see Table C-5).

**Table C-5: Projections for Lack of Non-covered Pension Evidence**

Description	Number of Beneficiaries
Sample Results (Table B-1)	5
Projected Quantity/Point Estimate	56
Projection Lower Limit	24
Projection Upper Limit	113

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

## Appendix D – RELATED OFFICE OF THE INSPECTOR GENERAL REPORTS

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From November 2011 to August 2022, the Office of the Inspector General issued 12 audit reports with findings about the lack of non-covered pension evidence for the Social Security Administration (SSA) to accurately apply the Windfall Elimination Provision (WEP) or the Government Pension Offset (GPO):

1. [Spouses and Widow\(er\)s Who Have Unverified Pensions](#) (A-13-17-50161), August 2022. SSA did not always follow up when spouses and widow(er)s reported entitlement to a non-covered future pension.
2. [Follow-up on Old-Age, Survivors and Disability Insurance Benefits Affected by State and Local Pensions](#) (A-13-17-50191), July 2021. SSA did not reduce benefits for non-covered pensions from state or local government work.
3. [Benefits Payable to Widow\(er\)s Subject to Government Pension Offset Had They Delayed Their Application](#) (A-09-19-50791), November 2020. SSA did not always inform widow(er)s who are subject to GPO of their option to delay or withdraw and resubmit their application for widow(er)'s benefits.
4. [Windfall Elimination Provision Exemptions](#) (A-13-17-34132), August 2019. SSA did not always correctly exempt beneficiaries from the WEP. SSA should have reduced their benefits because they received non-covered pensions.
5. [Follow-up: Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset](#) (A-09-17-50252), August 2018. SSA did not properly impose the WEP and GPO for dually entitled beneficiaries who became entitled to benefits or started receiving a non-covered pension after our 2013 audit.<sup>1</sup>
6. [Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions](#) (A-13-16-23006), September 2016. SSA should have applied WEP to 14 of the 250 beneficiaries sampled. Although SSA was aware these 14 beneficiaries had a non-covered pension, the Agency did not reduce their benefits. The 14 beneficiaries received approximately \$372,000 in overpayments. We estimate SSA overpaid approximately \$129 million in Old-Age, Survivors and Disability Insurance (OASDI) benefits to about 4,900 beneficiaries.
7. [Widow\(er\)s' Benefits When Government Pensions Are Involved](#) (A-13-14-14010), April 2015. SSA staff verified non-covered pension information as required by Agency policy for 99 of 100 widow(er)s. However, Agency staff did not calculate benefit payments accurately and improperly paid nine widows approximately \$44,000.

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<sup>1</sup> SSA, OIG, *Dually Entitled Beneficiaries Who are Subject to the Windfall Elimination Provision and Government Pension Offset*, A-09-12-11210 (January 2013).

8. [Excess Withholding of Government Pension Offset](#) (A-09-14-14052), February 2015. SSA employees had not resolved alerts that required they verify and update the Master Beneficiary Record (MBR) with current non-covered pension and GPO amounts. SSA had not verified or updated the MBR with current non-covered pension or GPO amounts for an average of 15.8 years.
9. [Spousal Beneficiaries Whose Government Pension Offset Has Stopped](#) (A-09-13-23049), May 2014. SSA employees incorrectly recorded GPO stop dates on the MBR, did not properly calculate GPO amounts because they incorrectly recorded monthly non-covered pensions as lump sum payments, or improperly applied non-covered pension amounts when they calculated the GPO amount.
10. [Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset](#) (A-09-12-11210), January 2013. SSA did not prevent or detect overpayments because it had not implemented controls to identify non-covered pension discrepancies recorded on retirement and spousal beneficiaries' MBRs. The Agency overpaid \$19.2 million in retirement benefits because the WEP was not properly applied and \$14.6 million in spousal benefits because GPO was not properly imposed.
11. [Spousal Beneficiaries Who Reported They Were Entitled to a Government Pension](#) (A-09-10-21071), March 2012. SSA did not (1) follow up with spousal beneficiaries who stated they would receive a non-covered pension in the future, (2) timely or accurately impose GPO, or (3) update the MBR with revised non-covered pension information provided by beneficiaries.
12. [Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions](#) (A-13-10-10143), November 2011. SSA overpaid 13 OASDI beneficiaries because they had not reduced their benefits for non-covered work from state or local government pensions.

The reports contained 34 recommendations where generally SSA did not: (1) obtain or act on available non-covered pension information to correctly calculate the WEP reductions and GPO offsets to OASDI benefits; (2) take appropriate follow-up actions when spouses and widow(er)s report entitlement to a non-covered pension in the future; (3) update beneficiaries' future pension entitlement dates; and/or (4) apply the WEP and GPO correctly. Additionally, we found OASDI beneficiaries did not always self-report state or local governments non-covered pension information to SSA; and the Agency lacked legislation or alternative approaches to electronically obtain state and local governments non-covered pension information.

## Appendix E – AGENCY COMMENTS

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### SOCIAL SECURITY

#### MEMORANDUM

Date: September 18, 2023

Refer To: TQA-1

To: Gail S. Ennis  
Inspector C

From: Scott Frey   
Chief of Staff

Subject: Office of the Inspector General Draft Report “

” (A-13-20-50970) -

#### INFORMATION

Thank you for the opportunity to review the draft report. We disagree with the recommendation. The decision to propose legislation depends on multiple factors, many outside of our control. Additionally, the legislative proposal process is pre-decisional and deliberative; therefore, we cannot discuss this process outside the information published in the President’s Budget.

Please let me know if I can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

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