



Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

**United States Senate
Special Committee on Aging**
Statement for the Record
Experience Matters: Seniors and the Workforce



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Chairman Scott, Ranking Member Gillibrand, and members of the Committee, I want to thank the Special Committee on Aging for holding today's hearing: *Experience Matters: Seniors and the Workforce*. The Social Security Administration (SSA) Office of the Inspector General's (OIG) mission is to serve the public through independent oversight of SSA's programs and operations, including SSA's enforcement of the earnings test.

The earnings test is a provision of the *Social Security Act* that requires SSA to withhold payments from beneficiaries who are under full retirement age (FRA) if their earnings exceed a certain limit.¹ 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.²

Earlier this year, SSA OIG issued a report on SSA's major management and performance challenges during Fiscal Year (FY) 2025, including the need for SSA to improve the prevention, detection, and recovery of improper payments.³ Improper payments can be overpayments, when SSA pays someone more than they are due, or underpayments, when SSA pays someone less than they are due. SSA estimated almost \$11.3 billion in improper payments in FY 2025, which included approximately \$9.3 billion in overpayments and almost \$2 billion in underpayments. SSA has identified the application of the annual earnings test as a leading cause of overpayments in the Old-Age, Survivors, and Disability Insurance (OASDI) program.

In February 2024, SSA OIG completed an audit to determine (1) whether SSA accurately and timely paid beneficiaries subject to the earnings test and (2) the administrative costs to enforce the earnings test.⁴ To accomplish the objectives, SSA OIG reviewed three populations of beneficiaries affected by earnings test provisions and worked with SSA staff to obtain estimated administrative costs to enforce the earnings test in FY 2021.

SSA OIG's review found SSA did not accurately or timely pay beneficiaries subject to the earnings test. SSA OIG estimated SSA established approximately 294,000 earnings test overpayments, totaling more than \$1 billion, in FY 2021. Of these, SSA OIG estimated SSA inaccurately calculated approximately 47,000 overpayments totaling more than \$148 million. That is, SSA requested beneficiaries pay more or less than what they owed. For 50 sampled beneficiaries, SSA OIG found that SSA did not accurately calculate eight overpayments totaling approximately \$25,000. In general, SSA inaccurately calculated these overpayments because it used incorrect monthly earnings information when the monthly earnings test applied.

¹ *Social Security Act* § 203, 42 U.S.C. § 403(b).

² SSA, OIG, *The Social Security Administration's Enforcement of the Earnings Test*, A-08-21-51049 (February 2024).

³ SSA, OIG, *The Social Security Administration's Major Management and Performance Challenges During Fiscal Year 2025*, 042513 (January 2026).

⁴ SSA, OIG, *The Social Security Administration's Enforcement of the Earnings Test*, A-08-21-51049 (February 2024).

SSA also identified similar problems with earnings test overpayment calculations in two of its prior internal reviews. In a 2015 review, SSA found, in a significant number of cases processed by SSA's automated systems, the monthly earnings information it needed to make a correct overpayment calculation was missing. In a 2018 review, SSA estimated \$201 million in inaccurately calculated earnings test overpayments. This reaffirmed the issues SSA OIG identified are part of long-standing problems with SSA's earnings test overpayment calculations.

Without accurate and timely earnings information, SSA will continue overpaying beneficiaries and inaccurately calculate some of these overpayments. SSA policy indicates it is the beneficiary's responsibility to report their annual and monthly earnings if they expect their earnings to exceed the annual limit.⁵ However, relying on beneficiaries to self-report their annual and monthly earnings is an inherent challenge that is impeding SSA's ability to process earnings test actions accurately and timely. For example, beneficiaries may fail to report or incorrectly estimate their earnings because they misunderstand SSA's earnings test policies or want to delay earnings test withholdings.

As noted in SSA OIG's audit, SSA has opportunities to improve the accuracy and timeliness of its earnings information thereby improving the accuracy of its payments to beneficiaries subject to the earnings test by:

- Expanding existing initiatives to obtain earnings information electronically. For example, SSA has agreements with third parties to obtain wage information (including quarterly and monthly wages) to reduce its reliance on disabled beneficiaries to self-report their earnings.⁶
- Incorporating applicants' responses to the earnings test questions on the printed application summary SSA provides beneficiaries when they request to start receiving their OASDI benefits. Policy requires that SSA employees provide in-person and telephone applicants with printed copies of their responses to the application questions for their review and correction.⁷ However, SSA OIG's audit found the printed copy SSA provides the applicant does not include their responses to the earnings test questions. Therefore, applicants may not have an opportunity to review or correct the estimated earnings information SSA employees used to suspend or pay their benefits.
- Revising its systems to ensure the Agency requests monthly earnings information from beneficiaries eligible for the monthly earnings test. SSA could not provide SSA OIG with documentation demonstrating that it requested monthly earnings information from beneficiaries eligible for the monthly earnings test for 20 of the sampled overpayments. SSA personnel conducted an internal review in 2015 and recommended the Agency ". . . investigate the feasibility of implementing an automated solution; for example, an annual report of earnings or systems alert, to help identify and resolve instances where excess earnings exist but the [benefit record] does not contain a record of non-service months for the year." However, SSA stated it did not implement this recommendation because of resource limitations.

⁵ SSA, POMS, RS 02510.005 (November 29, 2023) and RS 02510.015 (November 29, 2023).

⁶ SSA, POMS, DI 10505.005, C (May 2, 2019).

⁷ SSA, POMS, GN 00201.015, F (October 5, 2023).

- Adding language to overpayment notices informing beneficiaries who are eligible for the monthly earnings test that their overpayment may be reduced or eliminated if they had monthly wages below the applicable limit. The overpayment notices SSA OIG reviewed did not specifically advise beneficiaries their overpayment could be reduced or eliminated if they contacted SSA to report earnings below the monthly limit. The notices also did not advise the beneficiaries of the monthly earnings limit in the overpayment year.

For the 100 sampled beneficiaries with earnings discrepancies between the benefit records and the Agency's Master Earnings File (MEF), SSA OIG found that SSA did not accurately pay 18 approximately \$58,000. SSA OIG estimated SSA inaccurately paid approximately \$29 million to 9,000 beneficiaries with estimated earnings on their benefit records that were more or less than their actual earnings recorded on the MEF. This primarily occurred because programming limitations prevented SSA's automated systems from identifying certain underpayments. Additionally, SSA's processing systems could not fully automate some enforcement actions that the Agency's systems identified and should have resulted in overpayments.

SSA OIG determined the Agency did not timely pay 86 sampled beneficiaries approximately \$40,000 in earnings test-related monthly benefit increases because of its outdated systems and unclear policies. SSA issued the first monthly benefit increase to the 86 beneficiaries an average 292 days after policy allowed the first increased payment.⁸ SSA OIG estimated SSA did not pay approximately 176,000 beneficiaries \$81 million on the date policy first allowed the increased payment. One beneficiary who attained FRA in December 2019 did not receive their cumulative monthly benefit increase of approximately \$500 before their death in October 2020.

SSA OIG concluded the primary cause of SSA's untimely release of earnings test-related monthly benefit increases relates to SSA's outdated systems that did not issue increased benefits effective at FRA. SSA designed its systems to automatically compute monthly benefit increases related to earnings test withholdings in August of the year after the beneficiary reaches FRA. SSA designed this system in 1989 and has not made adjustments to reflect faster receipt of electronic wage information on the MEF, changes in requirements to file annual reports,⁹ or increased earnings limits in the FRA year.¹⁰

SSA OIG also determined the Agency's policies regarding when, and how, employees can grant earnings test-related monthly benefit increases were not clear, which likely contributed to SSA's untimely release of increased benefits due effective at FRA. Beneficiaries have the right to request monthly benefit increases before the automated increase. However, SSA policy did not clearly explain the criteria that must be met for employees to grant the monthly benefit increase or what actions employees must take to release the increase. For example, SSA policy did not specify whether employees can grant a monthly benefit increase when the Agency does not have the beneficiary's complete earnings for all years subject to the earnings test.¹¹

⁸ SSA, *POMS*, RS 02510.015, B (November 29, 2023), RS 00615.480 (September 16, 2002), RS 00615.482 (December 7, 2023), and RS 02501.021, C (November 7, 2023).

⁹ SSA, *POMS*, RS 02510.001 (November 16, 2023).

¹⁰ *The Senior Citizens' Freedom to Work Act of 2000*, Pub. L. No. 106-182, 114 Stat. 198.

¹¹ SSA, *POMS*, RS 02510.015, B (November 29, 2023).

SSA policy advised employees they must take manual actions to release the monthly benefit increase but does not describe those manual actions.¹²

Based on SSA OIG's review of available SSA data, the Agency spent approximately \$70 million in administrative costs to enforce the earnings test in FY 2021. These costs included a variety of manual transactions SSA employees completed in FY 2021, including overpayment collection actions, to enforce the earnings test. However, the estimate is conservative as there were data limitations that prevented SSA OIG and SSA from quantifying many employee actions. For example, SSA systems did not capture data necessary to quantify the time the Agency's employees spend explaining and answering earnings test questions from the public.

SSA has opportunities to reduce its administrative costs to enforce the earnings test by excluding overpayments from the earnings enforcement process if the estimated cost to collect the overpayment exceeds the potential collection. According to SSA, in FY 2021, it cost approximately \$287 to collect an overpayment due the Retirement and Survivors Insurance Trust Fund. Based on this estimate, SSA will spend approximately \$8 million over multiple years to recover approximately 28,000 FY 2021 earnings test overpayments valued less than SSA's average recovery cost. SSA OIG did not conduct a full cost-benefit analysis of collecting low-dollar earnings test overpayments.

However, in a 2015 report, based on the results of a cost-benefit analysis, SSA OIG recommended SSA ". . . re-evaluate its process for collecting overpayments where the value of the overpayment is less than what SSA spends to collect the overpayment to ensure it expends resources on activities that result in the greatest return on investment."¹³ SSA agreed to implement the recommendation but subsequently determined it did not have sufficient data to determine the costs associated with collecting various types of overpayments.

Systems enhancements to improve the accuracy and timeliness of earnings test payments may also reduce SSA's administrative costs to enforce the earnings test. For example, SSA could save administrative expenses by allowing beneficiaries to submit earnings estimates and annual reports online for automated processing instead of requiring employees to process the earnings information. According to SSA, employees processed approximately 152,000 earnings estimates and annual reports in FY 2021. SSA already has processes in place for disabled beneficiaries to report their earnings online or through mobile devices. SSA could also reduce administrative expenses by reducing the number of enforcement cases its systems cannot automatically process. In addition, SSA OIG's prior review recommended SSA increase its use of Robotic Process Automation, where cost beneficial, when processing manual workloads.

Based on the findings of the 2024 audit, SSA OIG made ten recommendations for SSA to improve its administration of the earnings test. SSA agreed with the recommendations. As of March 2026, SSA has implemented seven of the ten recommendations. SSA OIG acknowledges SSA's ongoing efforts to implement the unimplemented recommendations, and SSA OIG continues monitoring these efforts to determine whether the Agency's actions in response to the the recommendations address the root causes of the audit's findings.

¹² SSA, POMS, RS 00615.480 (September 16, 2002), RS 00615.482 (December 7, 2023), and RS 02501.021, C (November 7, 2023).

¹³ SSA, OIG, *Cost-benefit Analysis of Processing Low-dollar Overpayments*, A-07-14-14065, p. 9 (July 2015).

SSA must be a responsible steward of the funds entrusted to its care by minimizing the risk of making improper payments and recovering overpayments when they occur. Accordingly, SSA must improve how it receives and processes earnings information to ensure it issues accurate and timely payments to beneficiaries subject to the earnings test. Until SSA takes action to fix these issues, it will continue amassing overpayments and underpayments and causing inefficient use of employee time spent taking manual actions and collecting overpayments.

Thank you for holding this hearing today to discuss topics related to seniors in the workforce, including the impact and enforcement of SSA's earnings test, a leading cause of SSA overpayments for seniors. Thank you for the opportunity to submit the statement for the record.