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Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Adjustments to Widow's Benefits at  
Full Retirement Age

*A-01-12-11299 / March 2013*

**MEMORANDUM**

**Date:** March 22, 2013

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Adjustments to Widow's Benefits at Full Retirement Age (A-01-12-11299)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration took corrective action based on our two prior reports and correctly adjusted benefits to widow(er)s when they attained full retirement age.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

# Adjustments to Widow's Benefits at Full Retirement Age

## A-01-12-11299



March 2013

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) took corrective action based on our two prior reports and correctly adjusted benefits to widow(er)s when they attained full retirement age.

### Background

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*. Some beneficiaries are entitled both to disability benefits and widow's benefits. For some beneficiaries, the widow's benefits are adjusted, and the reduction for age is eliminated when disability benefits end and retirement benefits are awarded.

As a result of our prior reports, we provided 19,813 potentially underpaid widows' cases to SSA for corrective action.

### Our Findings

SSA improved its process to adjust widow's benefits at full retirement age. However, we still found some widows were underpaid. We estimated 1,444 widows were underpaid about \$7.7 million and will continue being underpaid about \$30.5 million over their lifetimes unless SSA takes action.

Additionally, our analysis showed that SSA addressed the 19,813 potentially underpaid widows' cases we provided to SSA at the time of our prior two reviews.

### Our Recommendation

We recommend that SSA review the 1,503 cases we identified that appeared to be underpaid and take action to pay the additional amounts due these widows.

SSA agreed with the recommendation.

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## ABBREVIATIONS

FRA	Full Retirement Age
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 (SSA) took corrective action based on our two prior reports and correctly adjusted benefits to widow(er)s when they attained full retirement age.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*.<sup>1</sup> The program provides monthly benefits to retired or disabled workers and their families and to survivors of deceased workers.

Some beneficiaries are entitled both to disability benefits based on their own earnings and to widow's benefits based on the earnings of their deceased spouse.<sup>2</sup> Disability benefits generally are not reduced based on the beneficiaries' age. However, widow's benefits are reduced when beneficiaries elect to receive them before they reach their full retirement age (FRA).<sup>3</sup>

For beneficiaries entitled under both programs, if the widow's benefits started when the disability benefits began or later, the widow's benefits are adjusted and the reduction for age is eliminated when disability benefits end and retirement benefits are awarded.

Usually, this occurs when the beneficiary attains FRA.<sup>4</sup> In December 2010, about 3.8 million beneficiaries were dually entitled to both retirement benefits and widow's benefits.<sup>5</sup>

We previously reported on widow's benefits not adjusted at FRA.

- In May 2007, we estimated about 9,750 beneficiaries were underpaid approximately \$114 million through November 2006 and recommended SSA make necessary modifications to its automated programs. SSA implemented a computer system enhancement in May 2008.<sup>6</sup>

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

<sup>2</sup> SSA, POMS, RS 00615.020 (effective April 13, 2011). Throughout this report, we use the term "widows" to refer both to widows and widowers.

<sup>3</sup> SSA, POMS, RS 00615.010 (effective November 6, 2009).

<sup>4</sup> *Social Security Act* § 202(q)(3), 42 U.S.C. § 402(q)(3). FRA for people born before January 2, 1938 is age 65. The FRA increases gradually until it reaches age 67 for people born January 2, 1960 or later. *Social Security Act* § 216(1), 42 U.S.C. § 416(1). *See also* SSA, POMS, RS 00615.003, (effective May 21, 2004).

<sup>5</sup> SSA, *Annual Statistical Supplement to the Social Security Bulletin, 2011*, Table 5.G2.

<sup>6</sup> SSA OIG, *Adjustment of Widow's Insurance Benefits at Full Retirement Age* (A-01-07-27122), May 2007.

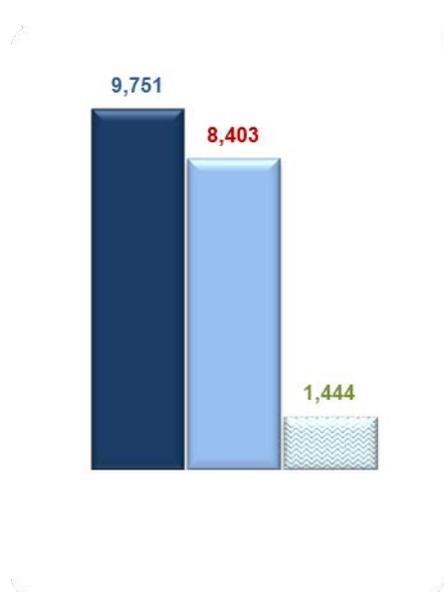
- In May 2008, we estimated about 8,400 beneficiaries were owed approximately \$95.1 million through February 2008.<sup>7</sup>

For our current review, we identified 2,859 widows who appeared to have been underpaid as of February 2012, and we randomly sampled 200 for detailed analysis.<sup>8</sup> (See Appendix A for additional information about our scope, methodology, and sample results.)

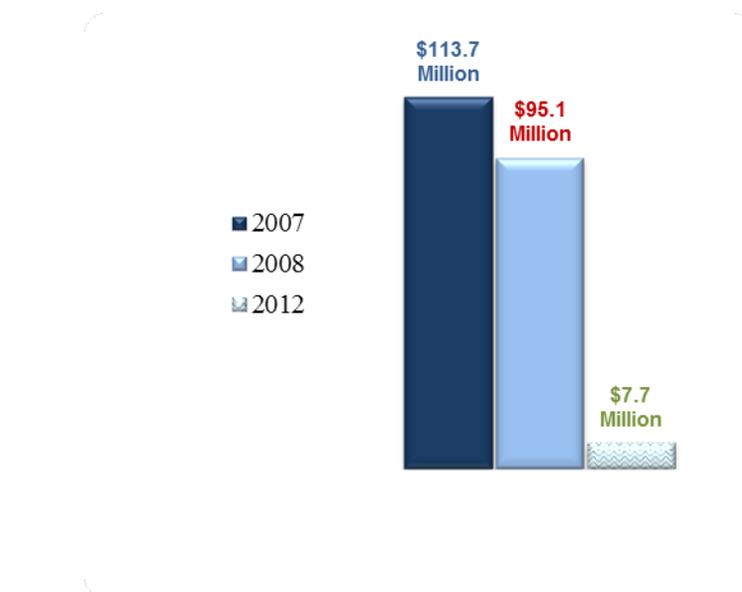
## RESULTS OF REVIEW

SSA improved its process to adjust widow’s benefits at FRA. However, we still found some widows were underpaid. Based on our sample, we estimated 1,444 widows were underpaid about \$7.7 million and will continue being underpaid about \$30.5 million over their lifetimes unless SSA takes action.<sup>9</sup> Chart 1 and 2 compare the number of underpaid widows and the amounts underpaid from our 2007, 2008, and 2012 reviews.

**Chart 1: Estimated Number of Underpaid Widows**



**Chart 2: Estimated Amount Underpaid As of Review**



<sup>7</sup> SSA OIG, *Underpayments to Widows* (A-01-08-28116), May 2008.

<sup>8</sup> See Appendix A, Tables A-4 and A-5, for a break-out of these cases by program service center and by State.

<sup>9</sup> To estimate the amount of additional benefits owed these widows in the future, we multiplied the last monthly underpayment amount by the number of months the beneficiaries are expected to live beyond February 2012. We used the 2007 life expectancy rates published by the Department of Health and Human Services, Centers for Disease Control and Prevention (*National Vital Statistics Report*, Vol. 59, No. 9, Tables 2 and 3, September 28, 2011, pages 10 - 13).

In May 2008, SSA implemented a computer system enhancement that automated the processing of most dually entitled cases. By combining payments from the widow's and the deceased spouse's records at FRA, the system removed the reduction to the widow's benefit amount. In May 2012, we contacted the Office of Systems to discuss the enhancement. Although most of the adjustments are now automated, SSA's system cannot automatically process *all* cases and SSA staff must review and manually adjust the payment for some cases.

For example, if more than one widow is entitled on a deceased person's record, the system will not process the adjustment. Instead, it will generate an alert for SSA staff to review the case and take necessary action. For instance, one of the widows in our sample attained FRA in August 2009, but another widow was also entitled on the deceased person's record. SSA's system did not automatically adjust the benefits for our sampled widow, and consequently at the time of our review she was receiving \$223 less each month than she was due. We referred the case to SSA in April 2012, and staff adjusted the widow's benefits and issued a \$6,494 underpayment. We could not determine whether the case was automatically identified for adjustment, or was identified, but then was not manually corrected by SSA staff.

## Sample Results

SSA improved its process for adjusting widow's benefits at FRA. We found that the Agency adjusted benefits to prevent underpayments to 55 (28 percent) of the 200 widows in our sample. However, SSA did not properly adjust benefits at FRA to 101 (50 percent) of the 200 widows in our sample. These 101 widows were owed approximately \$535,979 through February 2012.

For example, one widow attained FRA in August 2010, and her disability benefits were converted to retirement benefits. At that time, she was entitled to receive an additional \$125 per month in widow's benefits. As of February 2012—when she was 67 years of age—her benefits had not been adjusted. As a result, she was owed approximately \$2,388. After our review, SSA adjusted benefits to this widow and issued an underpayment for additional benefits due since August 2010. Had SSA not taken action to correct her benefit payments, we estimate this widow would have been underpaid \$27,789 in the future.

The remaining 44 cases (22 percent) were not due an increase at FRA. For example, in one case, two widows were receiving benefits on the deceased person's record, and SSA was correctly paying the maximum total benefit amount from that record.

## Cases from Prior Reviews

At the time of our prior 2 reviews, we provided 19,813 potentially underpaid widows' cases to SSA for review and appropriate corrective action.<sup>10</sup> Our November 2012 analysis showed that SSA addressed these cases.

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<sup>10</sup> We provided 10,210 cases to SSA from our May 2007 audit (A-01-07-27122) and 9,603 cases from our May 2008 audit (A-01-08-28116).

## CONCLUSIONS

SSA improved its process to adjust benefits to widows at FRA. As a result, the Agency adjusted benefits at FRA for more widows than it had when we issued our two prior reports. However, SSA continued paying some widows less than they were due after FRA. Although the 1,444 beneficiaries we estimated were underpaid represented a small fraction of dually entitled widows,<sup>11</sup> they were underpaid about \$7.7 million through February 2012. Additionally, we estimate they will be underpaid about \$30.5 million in the future unless SSA takes action to correct their benefits.

## RECOMMENDATION

Therefore, we recommend that SSA review the 1,503 cases we identified that appear to be underpaid and take action to pay the additional amounts due these widows.

## AGENCY COMMENTS

SSA agreed with the recommendation. See Appendix B.

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<sup>11</sup> Our estimate of 1,444 underpaid widows is 0.04 percent of the 3.8 million dually entitled beneficiaries who received both retirement and widow's benefits.

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration’s (SSA) regulations, policies, and procedures.
- Identified a population of 2,859 individuals receiving benefits in February 2012 whose benefits appeared to have not been properly adjusted when they attained full retirement age (FRA) and their disability benefits were converted to retirement benefits.<sup>1</sup>
- Randomly sampled 200 beneficiaries from the population for detailed analysis. For each sampled beneficiary, we reviewed the electronic benefit records on SSA’s systems.
  - ✓ If benefits should have been adjusted at FRA but were not, we calculated the amount of benefits that should have been paid between the beneficiary’s FRA and the earlier of February 2012 or his/her date of death.
  - ✓ If the beneficiary was receiving benefits, as of February 2012, we multiplied the last monthly underpayment amount by the number of months the beneficiary was expected to live beyond February 2012 to estimate the amount of additional benefits that will be owed to the beneficiary in the future.<sup>2</sup>

SSA reviewed 102 of our 200 sample cases and took action to adjust those that were underpaid.<sup>3</sup> Based on the Agency’s feedback on the cases, we concluded 101 of our 200 sample cases were underpaid. Additionally, we reviewed our population of 2,859 and provided the Agency 1,402 cases that appeared most likely underpaid. Therefore, in total, we identified 1,503 cases that appeared underpaid.

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<sup>1</sup> Initially, we identified dually entitled widows as of February 2011; but then we updated the data as of February 2012. To identify this population, we also excluded any beneficiary who was in the population for either of our prior reports—*Adjustment of Widow’s Insurance Benefits at Full Retirement Age* (A-01-07-27122), May 2007, and *Underpayments to Widows* (A-01-08-28116), May 2008.

<sup>2</sup> We used the life expectancy rates published by the Department of Health and Human Services, Centers for Disease Control and Prevention (Tables 2 and 3: Department of Health and Human Services, *National Vital Statistics Reports*, Vol. 59, No. 9, September 2011, pages 10 through 13).

<sup>3</sup> We provided 100 cases to SSA’s Office of Quality Performance on March 14, 2012, and 5 cases to the Office of Public Service and Operations Support on March 23, 2012. (Three of the five cases we sent to the Office of Public Service and Operations Support were included in the 100 we had sent to the Office of Quality Performance; therefore we provided 102 cases.)

We performed analysis to determine whether the Agency had addressed the 19,813 potentially underpaid widow cases we sent to SSA as part of our prior reviews.<sup>4</sup>

We conducted our audit between February and November 2012 in Boston, Massachusetts. The principal entities audited were SSA's program service centers under the Office of the Deputy Commissioner for Operations, and the Office of Retirement and Survivors Insurance Systems under the Office of the Deputy Commissioner for Systems. 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 our findings and conclusions based on our audit objective. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Population and Sample Information

**Table A-1: Population and Sample Size**

Population Size	2,859
Sample Size	200

**Table A-2: Beneficiaries Who Were Underpaid Because Their Benefits Were Not Properly Adjusted When Disability Ended and Retirement Benefits Were Awarded at FRA**

Number of Widows Underpaid Through February 2012		Additional Benefits Owed Through February 2012	Estimated Additional Benefits to Be Owed After February 2012
Identified in sample	101	\$535,979	\$2,130,927
Point estimate	1,444	\$7,661,824	\$30,461,596
Projection lower limit	1,277	\$5,552,305	\$24,577,870
Projection upper limit	1,610	\$9,771,342	\$36,345,322
<b>Note:</b> All projections are at the 90-percent confidence level.			

<sup>4</sup> We provided 10,210 cases to SSA from our May 2007 audit (A-01-07-27122) and 9,603 cases from our May 2008 audit (A-01-08-28116).

**Table A-3: Comparison of Current and Prior Reviews**

	Current Review A-01-12-11299	OIG Review A-01-08-28116, Issued May 2008	OIG Review A-01-07-27122, Issued May 2007
Date population identified	February 2012	January 2008	September 2004
Size of sampled population	2,859	9,603	10,210
Estimated number of underpaid widows	1,444	8,403	9,751
Estimated amount underpaid at time of review	\$7,661,824	\$95,061,451	\$113,721,946
<b>Note:</b> All projections are at the 90-percent confidence level.			

Based on our review of 200 sample cases, we analyzed the population of 2,859 and identified 1,503 cases that are most likely underpaid.

**Table A-4: Population of Most Likely Underpaid Widows by Program Service Center**

Responsible Program Service Center	Beneficiaries
Northeastern Program Service Center	154
Mid-Atlantic Program Service Center	223
Southeastern Program Service Center	404
Great Lakes Program Service Center	267
Western Program Service Center	244
Mid-America Program Service Center	201
Office of International Operations	10
<b>TOTAL</b>	<b>1,503</b>

**Table A-5: Population of Most Likely Underpaid Widows by State**

State	Beneficiaries	State	Beneficiaries
Alabama	49	Nebraska	7
Alaska	3	Nevada	10
Arizona	23	New Hampshire	5
Arkansas	14	New Jersey	43
California	135	New Mexico	9
Colorado	28	New York	64
Connecticut	11	North Carolina	65
Delaware	6	North Dakota	2
Florida	110	Ohio	68
Georgia	66	Oklahoma	16
Hawaii	5	Oregon	18
Idaho	9	Pennsylvania	65
Illinois	50	Puerto Rico	25
Indiana	26	Rhode Island	10
Iowa	6	South Carolina	29
Kansas	13	South Dakota	5
Kentucky	41	Tennessee	47
Louisiana	34	Texas	75
Maine	10	Utah	4
Maryland	21	Vermont	5
Massachusetts	17	Virginia	26
Michigan	56	Washington	28
Minnesota	8	West Virginia	30
Mississippi	30	Wisconsin	28
Missouri	31	Wyoming	3
Montana	4	Outside the U.S.	10
<b>TOTAL</b>			<b>1,503</b>

## Appendix B – AGENCY COMMENTS

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## SOCIAL SECURITY

### MEMORANDUM

Date: February 21, 2013

Refer To: SIJ-3

To: Patrick P. O'Carroll, Jr.  
Inspector General

From: Kate Thornton /s/  
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Adjustments to Widows Benefits at Full Retirement Age" (A-01-12-11299)—INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comment.

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,  
“ADJUSTMENTS TO WIDOWS BENEFITS AT FULL RETIREMENT AGE”  
(A-01-12-11299)**

**Recommendation**

Review the 1,503 cases we identified that appear to be underpaid and take action to pay the additional amounts due these widows.

**Response**

We agree. The Office of Quality Performance is currently analyzing these cases and, based on their findings, we will take action to review and process any underpayments due as resources permit.

## Appendix C – MAJOR CONTRIBUTORS

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Judith Oliveira, Director, Boston Audit Division

David Mazzola, Audit Manager

Kevin Joyce, IT Specialist

David York, Program Analyst

Brennan Kraje, Statistician

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