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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**IMPROPER PAYMENTS  
RESULTING FROM UNRESOLVED  
DELAYED CLAIMANTS**

September 2009

A-09-08-18006

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**AUDIT REPORT**

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## Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

## Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

## Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



# SOCIAL SECURITY

## MEMORANDUM

Date: September 25, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Improper Payments Resulting from Unresolved Delayed Claimants (A-09-08-18006)

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had taken appropriate actions to resolve delayed auxiliary or survivor claimants and pay underpayments to all affected beneficiaries.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*.<sup>1</sup> This program provides monthly benefits to retired and/or disabled workers and their families and to survivors of deceased workers. Auxiliary benefits are paid to the spouses and children of retired and/or disabled workers while survivor benefits are paid to the widows and children of deceased workers.

SSA requires that auxiliary and survivor claimants submit evidence to establish their entitlement to benefits. Individuals who have filed a claim, but who have not provided all the required evidence of eligibility and whose entitlement would affect other beneficiaries who are receiving benefits are placed in a delayed payment status. When a claimant is placed in delayed status, SSA must control the claim by establishing a diary in the Modernized Claims System. These diaries remind SSA staff that an outstanding issue exists, and they should follow up to resolve a delayed claimant.<sup>2</sup>

SSA considers delayed claimants to be entitled when computing benefit payments for the currently entitled beneficiaries on the same record. This protects delayed claimants from loss of benefits and prevents overpayments to currently entitled beneficiaries if SSA subsequently determines the delayed claimants are entitled. If, however, the delayed claimant is denied, the benefit payments to the entitled beneficiaries are

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

<sup>2</sup> SSA, Program Operations Manual System (POMS) GN 01010.140 and SM 00805.050.

increased.<sup>3</sup> We estimate that, as of November 3, 2008, there were approximately 12,360 retired, disabled, or deceased wage earner records with unresolved delayed auxiliary or survivor claimants.<sup>4</sup>

## RESULTS OF REVIEW

SSA needs to improve its controls and procedures to ensure appropriate actions are taken to resolve delayed auxiliary or survivor claimants and properly pay all affected beneficiaries. When a claimant is delayed, either the currently entitled beneficiaries or the delayed claimants will be underpaid. Based on a random sample of 50 payment records, we estimate that

- if the delayed claimants were approved, these auxiliary or survivor claimants were due about \$29.6 million because SSA had not resolved the delayed claimants timely or
- if the delayed claimants were not approved, currently entitled beneficiaries on the same records were improperly paid about \$22 million because SSA had not resolved the delayed claimants timely.

Finally, we estimate that the currently entitled auxiliaries or survivors may not be properly paid \$67.6 million unless SSA takes action to resolve their delayed claimants (see Appendix C).

These cases were not corrected because SSA did not have the controls in place to ensure claimants placed in delayed status were resolved within appropriate time frames.

### Benefits Withheld from Delayed Claimants

According to SSA policy, every reasonable effort should be made to obtain the evidence necessary to determine a claimant's entitlement. Evidence that may be required includes proof of age, marriage, and dependent children's relationships. When required documentation is not readily available, SSA places the claimant in delayed payment status.<sup>5</sup>

SSA should make a follow-up request for the necessary evidence, unless the claimant clearly indicates a lack of interest or an unwillingness to cooperate. According to SSA policy, claimants should respond to the follow-up request within 15 days. If the claimant

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<sup>3</sup> *Id.*

<sup>4</sup> The Master Beneficiary Record (MBR) is divided into 20 segments, with each segment representing 5 percent of all records. We identified a population of 618 records from Segment 12 of the MBR. As a result, we estimate that there were 12,360 (618 x 20) MBR records with claimants in delayed status.

<sup>5</sup> SSA, POMS GN 01010.140 and GN 01010.410.

does not respond within 15 days, a close-out letter should be sent. This letter should be accompanied by a statement advising the claimant to contact SSA and informing the claimant that the claim will be denied if a response is not received within 15 days of the close-out letter (30 days if the claimant resides outside the United States).<sup>6</sup>

We estimate there are 12,360 retired, disabled, or deceased wage earner records with at least 1 auxiliary or survivor claimant in delayed status. Our review of a random sample of 50 records disclosed that SSA had not resolved the outstanding issues for 23 records that had been delayed over 90 days. Consequently, SSA withheld \$119,996 in benefits from these claimants. Based on these results, we estimate that benefits totaling about \$29.6 million had been withheld for approximately 5,680 records from June 2002 to December 2008 (see Appendix C).

The 23 cases occurred because, when the claimants were placed in delayed status, SSA staff did not diary the claims or properly control the claims to ensure they were resolved. For example, in January 2007, SSA placed a claimant in delayed status and determined the potential benefits payable to the claimant but withheld the benefits pending the receipt of additional evidence to support the claim. As of December 2008, SSA had withheld benefits totaling \$8,933 from the claimant. In addition, SSA reduced the benefits of a currently entitled beneficiary on the same record to prevent an overpayment. Consequently, this beneficiary may have been underpaid \$1,802.

### **Benefits to Currently Entitled Beneficiaries Were Reduced**

When a claimant is placed in delayed payment status, SSA reduces the amount payable to currently entitled beneficiaries on the same payment record. This is to ensure that the entitled beneficiaries are not overpaid if SSA subsequently determines the delayed claimant is eligible for benefits. However, if the claimant does not provide the necessary evidence to establish eligibility and SSA denies the claim, the benefits payable to the entitled beneficiaries should be increased.

Since delayed claimants reduce the benefits of currently entitled beneficiaries, we determined whether any currently entitled beneficiaries were properly paid. Our review of the 50 sampled records found that 27 had currently entitled beneficiaries who may not have been properly paid because of delayed claimants.<sup>7</sup> Had SSA taken timely action on the delayed claimants, these beneficiaries could have been properly paid an additional \$89,229 in benefits. Based on our sample results, we estimate that benefits totaling about \$22 million may not have been properly paid to currently entitled beneficiaries on approximately 6,680 records because SSA had not taken appropriate action to resolve the delayed claimants (see Appendix C).

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<sup>6</sup> SSA, POMS GN 01010.410.B.1.

<sup>7</sup> In 26 records, the entitled auxiliaries/survivors had their benefits reduced; however, in 1 record, SSA overpaid the entitled auxiliaries/survivors. In 4 of the 27 records, the claimants had been denied benefits; however, SSA did not properly adjust the benefit amounts of the entitled auxiliaries and survivors.

For example, in April 2006, SSA placed a child claimant in delayed status and appropriately adjusted the benefits of two currently entitled child beneficiaries. However, as of December 2008, the delayed claimant remained unresolved. Consequently, the entitled beneficiaries may have been underpaid \$5,700 because their benefits were reduced for 33 months. In addition, if SSA does not resolve the delayed claimant, the beneficiaries will continue to be underpaid for an additional 13 months. Accordingly, we estimate that SSA may underpay the two beneficiaries \$5,868.

Our analysis of the error cases found that all 27 records affected child beneficiaries under age 18. If SSA does not properly adjust their benefits, they will be improperly paid approximately \$273,808 in benefits until they, or the delayed claimants, attain age 18. Projecting these results to our population, we estimate that benefits totaling about \$67.6 million may not be properly paid for approximately 5,200 records (see Appendix C).

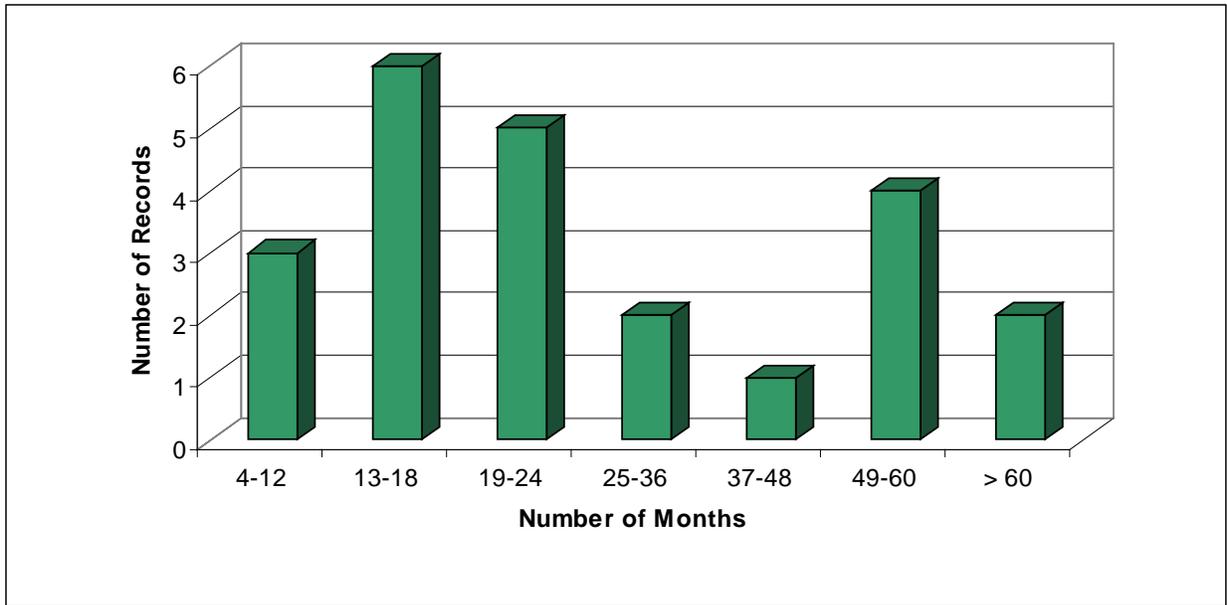
### **Timeliness in Resolving Delayed Claimants**

SSA needs to improve controls to ensure delayed claimants are resolved timely. Although SSA generates systems alerts for delayed claimants, according to SSA, they are not intended to be a control mechanism to ensure delayed claimants are resolved timely. Instead, the alert is created to identify potential claimants remaining in delayed status for more than 18 months. When the alert is generated, SSA staff must resolve the delayed claimant. Follow-up alerts are generated quarterly until the delayed claimant is resolved.<sup>8</sup>

For 23 (46 percent) of the 50 records in our sample, SSA had not timely resolved the delayed claimants. As a result, benefit payments of \$119,996 had been withheld from the claimants. For the 23 records, the median age was 22 months. Of these, nine (39 percent) were over 2 years old, and two were not resolved after 5 years.

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<sup>8</sup> SSA, POMS GN 01010.140 and SM 00619.054.



## CONCLUSION AND RECOMMENDATIONS

SSA did not always take appropriate action to resolve delayed auxiliary or survivor claimants and properly pay all affected beneficiaries. This occurred because the resolution of delayed claimants was not properly controlled. As a result, we estimate that benefits totaling about \$22 million may not have been properly paid to currently entitled beneficiaries on approximately 6,680 records. Additionally, we estimate that currently entitled auxiliaries or survivor beneficiaries may not be properly paid \$67.6 million unless SSA takes action to resolve these delayed claimants. Therefore, we recommend that SSA:

1. Take corrective action to properly resolve the 28 records with delayed claimants identified by our audit.
2. Identify and take corrective action on the population of delayed claimants that have been pending more than 90 days.
3. Improve controls to ensure that delayed claimants are resolved within appropriate time frames.
4. Remind employees to diary, follow up on, and timely resolve delayed claimants.

**AGENCY COMMENTS**

SSA agreed with our recommendations. The Agency's comments are included in Appendix D.

A handwritten signature in black ink, appearing to read "Pat P. O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

## Acronyms

MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Programs Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

# Scope and Methodology

We obtained a data extract from one randomly selected segment of the Social Security Administration's (SSA) Master Beneficiary Record (MBR). The extract consisted of 618 records in which at least 1 claimant had been in delayed status as of November 2008.

To accomplish our objectives, we

- reviewed the applicable sections of the *Social Security Act* and SSA's Program Operations Manual System;
- reviewed a random sample of 50 records;
- reviewed queries of SSA's MBR, Modernized Development Worksheet, Modernized Claims System, and Processing Center Action Control System; and
- used SSA's Online Computational Earnings Menu to calculate the entitled auxiliaries'/survivors' family rates, excluding the delayed claimants.

We determined the computer-processed data from the MBR were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

We evaluated the adequacy of SSA's controls to ensure appropriate actions were taken to resolve delayed auxiliary or survivor claimants and properly pay all affected beneficiaries. Specifically, we determined whether SSA's diary and alert procedures properly controlled and resolved delayed claimants.

We performed our audit work in Richmond, California, and Baltimore, Maryland, between February and May 2009. The entity audited was the Office of Operations under the Deputy Commissioner for Operations.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Sampling Methodology and Results

We obtained a data extract from one segment of the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) that consisted of one or more claimants in delayed status or terminated from a delayed status as of November 2008. Based on the extract, we identified a population of 618 records.

### Claimants in Delayed Status

We randomly selected 50 records from the population of 618 to determine the number of months the claimants had been in delayed status and the amount of benefits withheld from these claimants. We found that, as of December 2008, the total amount of benefits withheld from the claimants was \$119,996. In addition, we found that the entitled beneficiaries on the same records may not have been properly paid \$89,229. Projecting these results to all 20 MBR segments, we estimate that \$29.6 million may have been withheld from auxiliary or survivor claimants for 5,680 records and \$22 million had not been properly paid to entitled auxiliary or survivor beneficiaries on 6,680 records.<sup>1</sup>

To estimate the amount of benefits that might not be properly paid to currently entitled auxiliaries/survivors in the future, we multiplied the December 2008 improper payment amount paid to each beneficiary by the number of months remaining for them or the delayed claimant to attain age 18. As a result, we estimate that the entitled auxiliaries or survivors in 5,200 records may not be properly paid \$67.6 million if SSA does not take action to resolve the delayed claimants’ outstanding issues.

Table 1 – Population and Sample Size

Description	Number of Records
Population Size (Data extract from one segment)	618
Sample Size	50

<sup>1</sup> The MBR is divided into 20 segments for processing and updating. The segments are determined by the last two digits of the Social Security number. Each segment represents 5 percent of all records. We randomly selected a sample of 50 records from our population of 618 records that we extracted from segment 12 of the MBR.

Table 2 – Auxiliaries/Survivors' Improper Payments

Description	Number of Records	Additional Benefits
Sample Results	27	\$89,229
Point Estimate	334	\$1,102,870
Projection - Lower Limit	260	\$751,303
Projection - Upper Limit	406	\$1,454,438
Estimate for Entire MBR <sup>2</sup>	6,680	\$22,057,400
Note: All statistical projections are at the 90-percent confidence level.		

Table 3 – Estimated Future Improper Payments

Description	Number of Records	Additional Benefits
Sample Results	21 <sup>3</sup>	\$273,808
Point Estimate	260	\$3,384,265
Projection - Lower Limit	189	\$1,881,099
Projection - Upper Limit	334	\$4,887,431
Estimate for Entire MBR <sup>4</sup>	5,200	\$67,685,300
Note: All statistical projections are at the 90-percent confidence level.		

<sup>2</sup> Represents the point estimate multiplied by 20 segments.

<sup>3</sup> We did not develop estimates for 6 of the 28 records for the future payments or for the delayed claimants withheld benefits because 3 of the claims were denied, 2 records had auxiliaries/survivors who were no longer eligible for benefits, and 1 case did not have any other entitled auxiliaries/survivors on the record.

<sup>4</sup> See Footnote 2.

Table 4 – Withheld Delayed Claimants

Description	Number of Records	Additional Benefits
Sample Results	23 <sup>5</sup>	\$119,996
Point Estimate	284	\$1,483,151
Projection - Lower Limit	212	\$659,847
Projection - Upper Limit	358	\$2,306,454
Estimate for Entire MBR <sup>6</sup>	5,680	\$29,663,020
Note: All statistical projections are at the 90-percent confidence level.		

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<sup>5</sup> See Footnote 3.

<sup>6</sup> *Id.*

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** September 8, 2009 **Refer To:** S1J-3

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

**From:** Margaret J. Tittel /s/  
Acting Chief of Staff

**Subject:** Office of the Inspector General (OIG) Draft Report, "Improper Payments Resulting From Unresolved Delayed Claims" (A-09-08-18006)—INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached is our response to the report findings and recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "IMPROPER PAYMENTS RESULTING FROM UNRESOLVED DELAYED CLAIMS" A-09-08-18006**

We reviewed the findings and recommendations, which identified problems with our ability to ensure the timely processing of delayed claims. Our challenges with this workload result from competing workload priorities and limited resources. Below are our responses to the report findings and recommendations.

**Recommendation 1**

Take corrective action to properly resolve the 28 delayed claims identified by the audit.

Response

We agree. Once we receive the list of the 28 delayed claims identified by the audit, we will work with the regional offices to take corrective action.

**Recommendation 2**

Identify and take corrective action on the population of delayed claims that have been pending more than 90 days.

Response

We agree. We will work with our systems staff to identify these cases. Once we identify the cases, we will work with the regional offices to take corrective action.

**Recommendation 3**

Improve controls to ensure that delayed claims are resolved within appropriate time frames.

Response

We agree. We will work to improve our controls to ensure delayed claimants are resolved within appropriate time frames.

**Recommendation 4**

Remind employees to diary, follow-up on, and timely resolve delayed claims.

Response

We agree. We will issue a reminder to employees to diary, follow-up, and timely resolve delayed claims.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Daniel Hoy, Senior Auditor

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-09-08-18006.

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Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

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OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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