



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Follow-up: Dually Entitled  
Beneficiaries Who Are Subject to the  
Windfall Elimination Provision and  
Government Pension Offset

*A-09-17-50252 | August 2018*

**MEMORANDUM**

**Date:** August 1, 2018

**Refer To:**

**To:** The Commissioner

**From:** Acting Inspector General

**Subject:** Follow-up: Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset (A-09-17-50252)

The attached final report presents the results of the Office of Audit's review. The objective was to determine the Social Security Administration's progress in identifying and imposing the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for dually entitled beneficiaries and evaluate the sufficiency of its planned systems controls to prevent and detect WEP and GPO overpayments to these beneficiaries.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.



Gale Stallworth Stone

Attachment

# Follow-up: Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset

## A-09-17-50252



August 2018

Office of Audit Report Summary

### Objective

To determine the Social Security Administration's (SSA) progress in identifying and imposing the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for dually entitled beneficiaries and evaluate the sufficiency of its planned systems controls to prevent and detect WEP and GPO overpayments to these beneficiaries.

### Background

The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security. WEP uses a modified benefit formula to eliminate a "windfall" from a wage earner's monthly Social Security retirement benefit. GPO reduces monthly Social Security benefits for spouses, divorced spouses, and widows who also receive a pension based on their own employment for a Federal, State, or local government not covered by Social Security.

We identified a population of (1) 7,409 dually entitled beneficiaries with GPO imposed on their spousal benefits and no WEP on their retirement benefit and (2) 8,127 dually entitled beneficiaries with WEP imposed on their retirement benefit and no GPO on their spousal benefit.

### Findings

SSA had made progress in identifying and imposing WEP and GPO for dually entitled beneficiaries. However, SSA did not properly impose WEP and GPO for dually entitled beneficiaries who became entitled to benefits or started receiving a pension after our 2013 audit. Based on our random samples, we estimate SSA

- overpaid \$21.8 million in retirement benefits to 2,000 beneficiaries because it did not properly apply WEP,
- overpaid \$27.9 million in spousal benefits to 1,707 beneficiaries because it did not properly impose GPO, and
- did not record WEP exceptions on the Master Beneficiary Record (MBR) for 2,445 beneficiaries.

The periodic systems alerts SSA implemented in September 2016 did not identify all dually entitled beneficiaries who were subject to WEP and GPO. We estimate SSA overpaid these beneficiaries an additional \$231.9 million since our 2013 audit. Finally, unless SSA takes corrective action, it will continue overpaying them approximately \$46.4 million, annually.

### Recommendations

We recommend that SSA:

1. Establish overpayments, as appropriate, for the 48 beneficiaries identified by our audit.
2. Record a WEP exception for the 33 beneficiaries identified by our audit.
3. Decide whether it should revise its rules on administrative finality to allow for the correction of WEP and GPO overpayments for the populations of dually entitled beneficiaries identified by our audits.

SSA agreed with our recommendations.

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## ABBREVIATIONS

C.F.R.	Code of Federal Regulations
GPO	Government Pension Offset
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSR	Supplemental Security Record
U.S.C.	United States Code
WEP	Windfall Elimination Provision

## OBJECTIVE

Our objective was to determine the Social Security Administration's (SSA) progress in identifying and imposing the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for dually entitled beneficiaries and evaluate the sufficiency of its planned systems controls to prevent and detect WEP and GPO overpayments to these beneficiaries.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program to provide monthly benefits to retired and disabled workers, including their dependents and survivors.<sup>1</sup> The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security.<sup>2</sup>

WEP eliminates “windfall” Social Security benefits for retired and disabled beneficiaries receiving pensions from employment not covered by Social Security. Under WEP, a modified benefit formula is required to determine a wage earner’s monthly Social Security retirement benefit.<sup>3</sup> GPO reduces monthly Social Security benefits for spouses, divorced spouses, and widows who also receive a pension based on their own employment for a Federal, State, or local government not covered by Social Security.<sup>4</sup> The GPO reduction is generally equal to two-thirds of the government pension.<sup>5</sup> Beneficiaries 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>6</sup> Dually entitled beneficiaries can be subject to both WEP and GPO.

To identify beneficiaries who may be subject to WEP and GPO, SSA primarily relies on applicants to report entitlement to current or future pensions from employment not covered by Social Security. However, for retired Federal employees, SSA receives monthly pension notifications from the Office of Personnel Management.<sup>7</sup>

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<sup>1</sup> *Social Security Act* 42 U.S.C. §§ 401, 402 (2018).

<sup>2</sup> *Social Security Act*, 42 U.S.C. §§ 415(a)(7) (2018) and 402(k)(5) (2018).

<sup>3</sup> *Social Security Act*, 42 U.S.C. § 415(a)(7)(B) (2018), 20 C.F.R. § 404.213 (2017), and SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 006, subch. RS 00605.360 (June 24, 2013).

<sup>4</sup> *Social Security Act*, 42 U.S.C. § 402(k)(5) (2018) and 20 C.F.R. § 404.408a (2017).

<sup>5</sup> *Social Security Act*, 42 U.S.C. § 402(k)(5) (2018), 20 C.F.R. § 404.408a(d) (2017), and SSA, *POMS, GN-General*, ch. GN 026, subch. GN 02608.100 (June 21, 2016).

<sup>6</sup> SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 006, subch. RS 00615.020, sec. A (August 21, 2014).

<sup>7</sup> SSA, *POMS, GN-General*, ch. 026, subch. GN 02608.301 (March 8, 2013) and SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. 006, subch. RS 00605.374 (August 7, 2013).

In a 2013 audit,<sup>8</sup> we found SSA needed to improve controls to ensure it properly imposed WEP and GPO for dually entitled beneficiaries. We estimated that SSA

- overpaid 2,046 beneficiaries \$19.2 million because it did not properly apply WEP;
- overpaid 1,662 beneficiaries \$14.6 million because it did not properly apply GPO;
- did not record WEP exceptions on the Master Beneficiary Record (MBR), as required for 3,961 beneficiaries; and
- did not record GPO exceptions for 3,148 beneficiaries.

We also reported that SSA had not taken corrective action for the population of overpaid beneficiaries identified in our 2008 audit.<sup>9</sup> As a result, we estimated SSA overpaid an additional \$181.6 million because SSA had not imposed WEP or GPO. Our 2013 report included several recommendations for corrective action. SSA agreed with our recommendations.

For our current review, we identified a new population of 7,409 dually entitled beneficiaries with GPO imposed on their spousal benefits and no WEP on their retirement benefit.<sup>10</sup> We also identified a new population of 8,127 dually entitled beneficiaries with WEP imposed on their retirement benefit and no GPO on their spousal benefit. From these populations, we selected 2 random samples of 100 beneficiaries for review (see Appendix A).

## RESULTS OF REVIEW

SSA had made progress in identifying and imposing WEP and GPO for dually entitled beneficiaries. However, it needs to make additional improvements to prevent and detect future overpayments to these beneficiaries. We found that SSA did not properly impose WEP and GPO for dually entitled beneficiaries who became entitled to benefits or started receiving a pension after our 2013 audit. Based on our random samples, we estimate SSA

- overpaid \$21.8 million in retirement benefits to 2,000 beneficiaries because it did not properly apply WEP,
- overpaid \$27.9 million in spousal benefits to 1,707 beneficiaries because it did not properly impose GPO, and
- did not record WEP exceptions on the MBR for 2,445 beneficiaries (see Appendix B).

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<sup>8</sup> SSA, OIG, *Dually Entitled Beneficiaries Who are Subject to the Windfall Elimination Provision and Government Pension Offset*, A-09-12-11210 (January 2013).

<sup>9</sup> SSA, OIG, *Dually Entitled Beneficiaries Who are Subject to Government Pension Offset and the Windfall Elimination Provision*, A-09-07-27010 (September 2008).

<sup>10</sup> WEP applies to both retirement and disability benefits. However, we use the term “retirement” generically in this report to refer to both retirement and disability benefits.

To address our prior audits, SSA implemented periodic systems alerts beginning in September 2016 to identify dually entitled beneficiaries who may have been overpaid because they were subject to WEP or GPO. However, we found these alerts did not identify all dually entitled beneficiaries who may be subject to WEP and GPO. Specifically, we estimate SSA did not identify 20,668 beneficiaries who were overpaid approximately \$349.5 and \$320.6 million because it did not properly apply WEP and GPO, respectively. We estimate SSA overpaid these beneficiaries an additional \$231.9 million since our 2013 audit. In addition, unless SSA takes corrective action, it will continue overpaying them approximately \$46.4 million, annually. Because of administrative finality,<sup>11</sup> SSA determined it could not correct the payment errors, and the systems alerts did not identify these beneficiaries.

Finally, in September 2018, SSA plans to implement additional controls to ensure it properly imposes GPO and WEP for dually entitled beneficiaries. Our review of these planned system controls found they should help prevent additional WEP and GPO overpayments from occurring.

## **WEP/GPO Overpayments Made Since Prior Audits**

Of the 2 random samples of 100 beneficiaries, we found that SSA did not

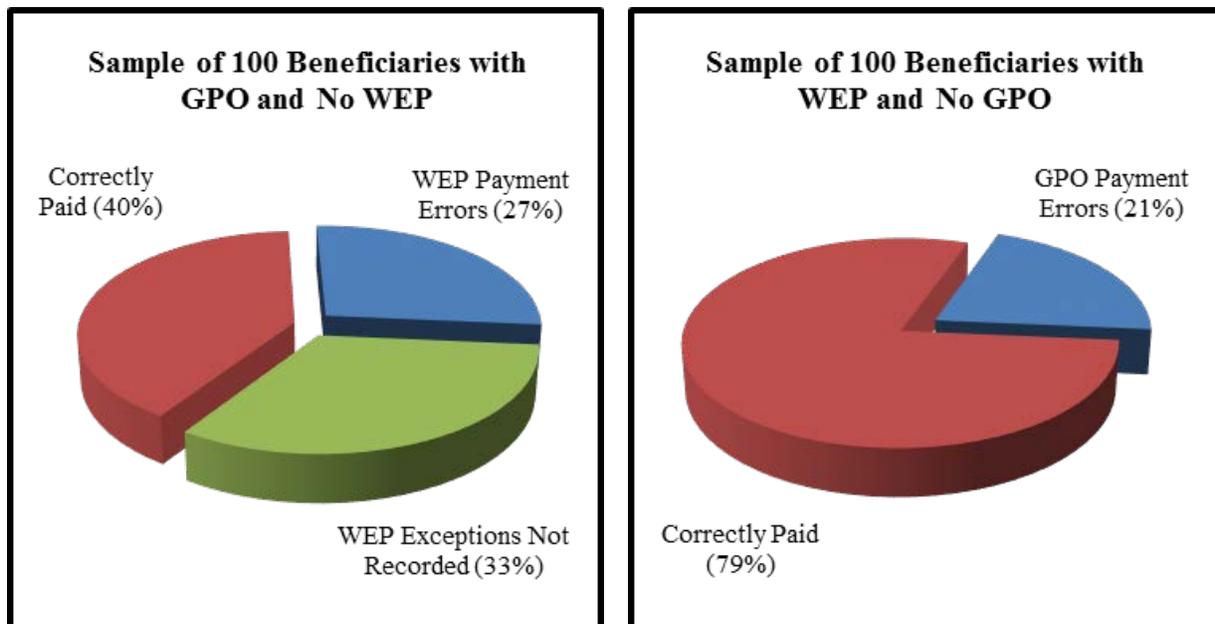
- properly impose WEP for 27;
- record the WEP exception on the MBR for 33, as required; and
- properly impose GPO for 21.

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<sup>11</sup> According to SSA's administrative finality policy, it will only revise an improper payment if the date of the initial determination notice is within 4 years or the determination occurred because of fraud or similar fault.

Figure 1 summarizes the results of our 2 random samples of 100 beneficiaries.

**Figure 1: WEP and GPO Errors**



### *WEP Overpayments*

When SSA imposes GPO on a spousal benefit, WEP may apply to the retirement benefits for dually entitled beneficiaries. SSA did not properly impose WEP for 27 of the 100 beneficiaries in our sample. As a result, SSA overpaid these 27 beneficiaries \$293,742. SSA obtained and recorded the pension information on these beneficiaries' spousal records; however, it did not use the information to impose WEP on their retirement benefits. Of the 27 beneficiaries, 12 provided pension information when they initially applied for retirement benefits, 12 provided it when they subsequently applied for spousal benefits, and 3 reported it when they concurrently applied for retirement and spousal benefits. While SSA properly reduced the spousal benefits according to the GPO provision, it did not impose WEP on the retirement benefits. In addition, there was no evidence in SSA's records that these beneficiaries were exempt from WEP. In October 2017, we referred these cases to SSA for corrective action.

To identify dually entitled beneficiaries who may be overpaid because they are subject to WEP, SSA implemented periodic systems alerts beginning in September 2016. However, SSA only generated alerts for beneficiaries who were not subject to administrative finality. Under this provision, SSA will only revise an improper payment if the date of the initial determination notice is within 4 years or the determination occurred because of fraud or similar fault.<sup>12</sup> As a result, SSA did not generate alerts for 24 of the 27 beneficiaries in our sample because they had a date of entitlement to retirement and spousal benefits before April 2012. There was no alert for one beneficiary because the beneficiary became dually entitled to benefits after the alerts were generated. SSA generated alerts for the remaining two beneficiaries, but employees did not take corrective actions to properly impose WEP on their retirement benefits.

For example, a beneficiary filed for both retirement and spousal benefits in September 2011. In her claim, she disclosed that she would begin receiving a \$925 monthly non-covered pension from the State of Texas in December 2011. SSA correctly applied GPO to her spousal benefits but erroneously paid the full \$252 monthly retirement benefit. However, SSA should have only paid the beneficiary a \$113 monthly retirement benefit. Consequently, SSA overpaid the beneficiary \$10,765 from December 2011 through February 2018. SSA did not generate an alert for this beneficiary because it determined administrative finality applied.

### *WEP Exceptions Not Recorded on the MBR*

Under certain conditions, an exception to WEP may apply. For example, WEP does not apply to beneficiaries who have at least 30 years of substantial Social Security earnings,<sup>13</sup> were eligible for retirement benefits before 1986,<sup>14</sup> or have a foreign pension based on an agreement with the United States and a foreign country.<sup>15</sup> If WEP does not apply, SSA employees must record the exception on the MBR. In addition, employees should retain evidence to support the WEP determination, such as an award letter from the paying agency.<sup>16</sup>

Of the 100 beneficiaries in our sample, SSA determined 33 were exempt from WEP; however, it did not record the exception on the MBR, as required. In addition, SSA did not have a systems alert to ensure an exception reason was recorded on the MBR for beneficiaries who were exempt from WEP.

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<sup>12</sup> SSA, *POMS, GN-General*, ch. 040, subch. GN 04030.090, sec. B (April 27, 2016) and SSA, *POMS, GN-General*, ch. 040, subch. GN 04030.100, sec. B (August 7, 2013).

<sup>13</sup> *Social Security Act*, 42 U.S.C. § 415(a)(7)(D) (2018), SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 006, subch. RS 00605.362 (November 9, 2016).

<sup>14</sup> SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 006, subch. RS 00605.360, sec. C.1 (June 24, 2013).

<sup>15</sup> SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 006, subch. RS 00605.362, sec. F (November 9, 2017), and SSA, *POMS, GN-General*, ch. GN 003, subch. GN 00307.290, sec. A (June 4, 2015).

<sup>16</sup> SSA, *POMS, RS-Retirement and Survivors Insurance*, ch. RS 006, subch. RS 00605.374, sec. B.1 (August 7, 2013) and SSA, *POMS, GN-General*, ch. GN 003, subch. GN 00301.285, sec. C (July 22, 2010).

For example, a beneficiary was entitled to retirement benefits in May 1990 and entitled to widow benefits in April 2014. SSA properly applied GPO, which reduced the beneficiary's widow benefits. Since the beneficiary was eligible for her non-covered pension before 1986, she was exempt from WEP. However, SSA did not record the WEP exception on the MBR.

### *GPO Overpayments*

When SSA applies WEP to a retirement benefit, GPO may apply to the spousal benefit.<sup>17</sup> For 21 of the 100 beneficiaries in our sample, SSA did not impose GPO, as required.<sup>18</sup> As a result, SSA overpaid these 21 beneficiaries \$343,106. SSA had obtained and recorded the pension information on these beneficiaries' retirement records; however, it did not use the information to impose GPO on their spousal benefits. Of the 21 beneficiaries, 18 provided pension information when they applied for retirement benefits, and 3 reported it when they applied for spousal benefits. While SSA properly reduced the retirement benefits according to WEP, it did not impose GPO on the spousal benefits. In addition, there was no evidence in SSA's records that these beneficiaries were exempt from GPO. In October 2017, we referred these cases to SSA for corrective action.

To identify dually entitled beneficiaries who may be overpaid because they are subject to GPO, SSA implemented periodic systems alerts in September 2016. However, we found that SSA did not generate alerts for 16 of the 21 beneficiaries.

- Nine were entitled to benefits before April 2012; therefore, SSA concluded they were subject to administrative finality. However, we found that six of these beneficiaries were not subject to administrative finality because the initial determination that caused the improper payments had occurred within 4 years.
- The MBRs for six beneficiaries incorrectly indicated they were not subject to GPO because they were receiving a foreign pension.<sup>19</sup> However, these beneficiaries did not receive a foreign pension and therefore were not exempt from GPO.
- One beneficiary received a Federal pension but did not have an Office of Personnel Management alert generated.

SSA generated alerts for the remaining five beneficiaries, but SSA employees did not take corrective actions to properly impose GPO on their spousal benefits.

For example, a beneficiary was entitled to retirement benefits in February 2013 and spousal benefits in March 2013. In February 2006, she began receiving a \$2,150 monthly pension from non-covered employment. SSA correctly imposed WEP on her retirement benefit but did not impose GPO on her spousal benefit and incorrectly paid the full \$266 monthly spousal benefit.

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<sup>17</sup> *Social Security Act*, 42 U.S.C. § 402(k)(5) (2018), 20 C.F.R. § 404.408(a)(b) (2017), and SSA, *POMS, GN-General*, ch. 026, subch. GN 02608.100, sec. A (June 21, 2016).

<sup>18</sup> *Social Security Act*, 42 U.S.C. § 402(k)(5) (2018) and 20 C.F.R. § 404.408a (2017).

<sup>19</sup> SSA, *POMS, GN-General*, ch. 026, subch. GN 02608.400, sec. B (June 21, 2016).

As a result, SSA overpaid her \$16,096 from March 2013 through February 2018. SSA did not generate an alert because the MBR incorrectly indicated she was not subject to GPO because she was receiving a foreign pension.

## **SSA's Actions to Address WEP/GPO Overpayments Identified in Prior Audits**

In our 2008 and 2013 audits,<sup>20</sup> we recommended that SSA identify and implement controls to prevent and resolve pension discrepancies recorded on the MBR for dually entitled beneficiaries. To address our prior audits, SSA implemented periodic WEP and GPO systems alerts beginning in September 2016 to identify dually entitled beneficiaries who may be overpaid because they are subject to WEP or GPO. However, SSA only generated alerts for beneficiaries who were not subject to its administrative finality policy.

According to SSA's administrative finality policy, it will only revise an improper payment if the date of the initial determination notice is within 4 years or the determination occurred because of fraud or similar fault.<sup>21</sup> Therefore, SSA's alerts only included beneficiaries who had a date of entitlement to retirement and spousal benefits beginning in April 2012 or later.

In September 2016, SSA identified 3,018 dually entitled beneficiaries who had a date of entitlement to retirement and spousal benefits beginning in April 2012 or later. This consisted of 780 beneficiaries SSA may have overpaid because it did not apply WEP to their retirement benefits and 2,238 beneficiaries who may be overpaid because SSA did not impose GPO on their spousal benefits.

When we compared SSA's file of 3,018 beneficiaries to our prior audit populations, we found SSA did not identify 20,668 beneficiaries who SSA may have overpaid because they were subject to WEP or GPO. This consisted of 10,546 beneficiaries SSA may have overpaid because it did not apply WEP to their retirement benefits and 10,122 beneficiaries who may be overpaid because SSA did not impose GPO on their spousal benefits.

Our prior audits estimated SSA overpaid these 20,668 beneficiaries approximately \$349.5 and \$320.6 million because it did not properly apply WEP and GPO, respectively. Of the 20,668 beneficiaries, we estimate 14,173 were entitled to benefits as of December 2017. We estimate SSA overpaid these beneficiaries an additional \$231.9 million since our 2013 audit. Unless SSA changes its administrative finality rules and takes corrective action, it will continue overpaying them approximately \$46.4 million, annually (see Appendix B).

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<sup>20</sup> SSA, OIG, *Dually Entitled Beneficiaries Who are Subject to Government Pension Offset and the Windfall Elimination Provision*, A-09-07-27010 (September 2008) and SSA, OIG, *Dually Entitled Beneficiaries Who are Subject to the Windfall Elimination Provision and Government Pension Offset*, A-09-12-11210 (January 2013).

<sup>21</sup> SSA, *POMS, GN-General*, ch. 040, subch. GN 04030.090, sec. B (April 27, 2016) and SSA, *POMS, GN-General*, ch. 040, subch. GN 04030.100, sec. B (August 7, 2013).

Finally, in a 2007 audit,<sup>22</sup> we recommended that SSA consider revising its administrative finality policy to permit changes to the ongoing benefit payments regardless of when SSA detects them. SSA disagreed with our recommendation and acknowledged that administrative finality affected the OASDI trust funds but expressed concern that it would incur significant operational costs by not having administrative finality. In a 2012 audit of administrative finality,<sup>23</sup> we again recommended that SSA consider revising its administrative finality policy to allow for the collection of more debt. SSA agreed with this recommendation. As of March 2018, SSA had initiated a workgroup to develop recommendations for revising its rules of administrative finality. SSA is determining whether it will revise its administrative finality policy.

## SSA's Planned Systems Controls to Prevent Improper Payments

In September 2018, SSA plans to generate WEP and GPO systems alerts for individuals who apply for retirement or spousal benefits when pension information is already on their MBR or claims application. This should ensure employees review and consider both the WEP and GPO provisions for dually entitled beneficiaries who receive a pension. This should also notify employees to record an exception on the MBR for beneficiaries who are exempt from WEP or GPO. In addition, SSA plans to add a pension indicator code on the MBR when a claimant is receiving a foreign pension. Our review of SSA's documentation for these planned system controls found they should help prevent additional WEP and GPO overpayments from occurring.

## CONCLUSIONS

SSA had made progress in identifying and imposing WEP and GPO for dually entitled beneficiaries. However, SSA did not properly impose WEP and GPO for dually entitled beneficiaries who became entitled to benefits or started receiving a pension after our 2013 audit. Based on our random samples, we estimate SSA

- overpaid \$21.8 million in retirement benefits to 2,000 beneficiaries because it did not properly apply WEP,
- overpaid \$27.9 million in spousal benefits to 1,707 beneficiaries because it did not properly impose GPO, and
- did not record WEP exceptions on the MBR for 2,445 beneficiaries (see Appendix B).

The periodic systems alerts SSA implemented in September 2016 did not identify all dually entitled beneficiaries who were subject to WEP and GPO. We estimate SSA overpaid these beneficiaries an additional \$231.9 million since our 2013 audit. Finally, unless SSA takes corrective action, it will continue overpaying them approximately \$46.4 million, annually.

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<sup>22</sup> SSA, OIG, *Administrative Finality in the Old-Age, Survivors and Disability Insurance Program*, A-01-07-27029 (September 2007).

<sup>23</sup> SSA, OIG, *Significance of Administrative Finality in the Social Security Administration's Programs*, A-08-11-21107 (July 2012).

## RECOMMENDATIONS

We recommend SSA:

1. Establish overpayments, as appropriate, for the 48 beneficiaries identified by our audit.
2. Record a WEP exception for the 33 beneficiaries identified by our audit.
3. Decide whether it should revise its rules on administrative finality to allow for the correction of WEP and GPO overpayments for the populations of dually entitled beneficiaries identified by our audits.

## AGENCY COMMENTS

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



Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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From the Social Security Administration's (SSA) Master Beneficiary Record (MBR), we obtained two data extracts. The first extract consisted of 7,409 beneficiaries who had Windfall Elimination Provision (WEP) data recorded on their retirement benefit but no Government Pension Offset (GPO) on their spousal benefit. The second extract consisted of 8,127 dually entitled beneficiaries who had GPO data recorded on their spousal or surviving spousal benefit but no WEP imposed on their retirement benefit. From these populations, we selected 2 random samples of 100 beneficiaries for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, the Code of Federal Regulations, and SSA's Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations, Systems, and Retirement and Disability Policy;
- reviewed prior audit reports pertaining to WEP and GPO;
- obtained queries from SSA's MBR, Summary Earnings Query, Modernized Claims System, and Claims File User Interface; and
- reviewed SSA's Paperless System, Shared Process System, and Non-Disability Repository for Evidentiary Documents for supporting documentation.

We determined whether the computer-processed data 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 objective.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between July 2017 and March 2018. The entities audited were the Offices of Operations and Systems under the Offices of the Deputy Commissioners for Operations and 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 believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

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We obtained two data extracts from the Social Security Administration’s (SSA) Master Beneficiary Record (MBR). The data extracts consisted of dually entitled beneficiaries who had

1. Government Pension Offset (GPO) imposed on their spousal benefit but no Windfall Elimination Provision (WEP) imposed on their retirement benefit and
2. WEP imposed on their retirement benefit but no GPO on their spousal benefit.

### GPO and No WEP

We refined our population to include beneficiaries who had an initial date of entitlement for spousal benefits on January 2011 or later with GPO imposed and were entitled to a retirement benefit with no WEP imposed. This resulted in a population of 7,409 beneficiaries. From this population, we randomly selected a sample of 100 beneficiaries for review. For each beneficiary in our sample, we determined whether SSA properly applied WEP to the retirement benefits.

Of the 100 beneficiaries in our sample, SSA overpaid 27 beneficiaries \$293,742 because their retirement benefits should have been subject to WEP. Projecting these results to our population of 7,409 beneficiaries, we estimate SSA overpaid 2,000 beneficiaries about \$21.8 million. In addition, we identified 33 beneficiaries who were exempt from WEP but did not have the exception recorded on the MBR. Projecting these results to our population, we estimate SSA did not record an exception on the MBR for 2,445 beneficiaries.

The following tables provide the details of our sample results and statistical projections.

**Table B–1: Population and Sample Size**

Description	Beneficiaries
Population Size	7,409
Sample Size	100

**Table B–2: WEP Payment Errors**

Description	Beneficiaries	Payments
Sample Results	27	\$293,742
Point Estimate	2,000	\$21,763,308
Projection - Lower Limit	1,470	\$14,083,210
Projection - Upper Limit	2,608	\$29,443,405

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

**Table B-3: WEP Exceptions Not Recorded on MBR**

Description	Beneficiaries
Sample Results	33
Point Estimate	2,445
Projection - Lower Limit	1,873
Projection - Upper Limit	3,074

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

## WEP and No GPO

We refined our population to include beneficiaries who had an initial date of entitlement for retirement benefits on January 2011 or later with WEP imposed and were entitled to a spousal benefit. This resulted in a population of 8,127 beneficiaries. From this population, we randomly selected a sample of 100 beneficiaries for review. For each beneficiary in our sample, we determined whether SSA properly imposed GPO to the spousal benefits.

Of the 100 beneficiaries in our sample, SSA overpaid 21 beneficiaries \$343,106 because their spousal benefits should have been subject to GPO. Projecting these results to our population of 8,127 beneficiaries, we estimate SSA overpaid about \$27.9 million to 1,707 beneficiaries.

The following tables provide the details of our sample results and statistical projections.

**Table B-4: Population and Sample Size**

Description	Beneficiaries
Population Size	8,127
Sample Size	100

**Table B-5: GPO Payment Errors**

Description	Beneficiaries	Payments
Sample Results	21	\$343,106
Point Estimate	1,707	\$27,884,192
Projection - Lower Limit	1,184	\$14,849,648
Projection - Upper Limit	2,337	\$40,918,736

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

## Additional Overpayments Since Our Prior Audits

Our prior audits<sup>1</sup> identified 30,730 beneficiaries who may have been subject to WEP and GPO. Of these, we estimated SSA overpaid 20,668 beneficiaries approximately \$349.5 and \$320.6 million because it did not properly apply WEP and GPO, respectively. We estimated that, unless SSA took corrective action, it would pay about \$65.9 million in WEP and GPO overpayments, annually, for the beneficiaries.

To estimate the additional WEP and GPO overpayments for the beneficiaries identified in our prior audits, we obtained the payment status for the beneficiaries in our prior audit populations. As of December 2017, 10,331 (60 percent) of the 17,205 beneficiaries with GPO imposed on their spousal benefit and no WEP on their retirement benefit were in current pay as well as 10,481 (77.5 percent) of the 13,525 beneficiaries with WEP imposed on their retirement benefit and no GPO on their spousal benefit were in current pay. We used the percentages of beneficiaries in current pay from our prior audit populations to estimate the number of beneficiaries with additional overpayments and the annual overpayments since our prior audits. We multiplied the resulting annual overpayment of \$46.4 million by 5 years (January 2013 through December 2017) to estimate the total overpayments of \$231.9 million since our 2013 audit.

The following tables provide the details of our estimate of the additional overpayments for the population of beneficiaries identified since our prior audits.

**Table B–6: Estimated Beneficiaries with Additional Overpayments Since Our Prior Audits**

Description	WEP Overpayments	GPO Overpayments	Total
Estimated Number of Beneficiaries Overpaid from Prior Audits	10,546	10,122	20,668
Percentage of Beneficiaries in Current Pay	60.0%	77.5%	
Estimated Number of Beneficiaries in Current Pay	6,328	7,845	14,173

<sup>1</sup> SSA, OIG, *Dually Entitled Beneficiaries Who are Subject to Government Pension Offset and the Windfall Elimination Provision*, A-09-07-27010 (September 2008) and SSA, OIG, *Dually Entitled Beneficiaries Who are Subject to the Windfall Elimination Provision and Government Pension Offset*, A-09-12-11210 (January 2013).

**Table B-7: Estimated Additional Overpayments Since Our Prior Audits**

<b>Description</b>	<b>WEP Overpayments</b>	<b>GPO Overpayments</b>	<b>Total</b>
Annual Estimate of Overpayments from Prior Audits	\$26,686,656	\$39,184,746	\$65,871,402
Percentage of Beneficiaries in Current Pay	60.0%	77.5%	
Annual Estimate for Beneficiaries in Current Pay	\$16,011,994	\$30,368,178	\$46,380,172
Number of Years Since 2013 Audit	5	5	5
Estimated Additional Overpayments Since 2013 Audit	\$80,059,970	\$151,840,890	\$231,900,860

## Appendix C – AGENCY COMMENTS

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### SOCIAL SECURITY

#### MEMORANDUM

Date: July 27, 2018 Refer To: SIJ-3

To: Gale S. Stone  
Acting Inspector General

*Stephanie Hall*

From: Stephanie Hall  
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset" (A-09-17-50252) -- INFORMATION

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

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

Attachment

**SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, “DUALY ENTITLED BENEFICIARIES WHO ARE SUBJECT TO THE WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET” (A-09-17-50252)**

**GENERAL COMMENTS**

We continue our work on a comprehensive corrective action plan (CAP) to mitigate improper payments for Windfall Elimination Provision (WEP) and Government Pension Offset (GPO). Automated solutions form an important part of CAP and will address technician errors and improve oversight of the WEP and GPO workloads. Enhancements such as system control alerts will notify technicians when WEP or GPO may be involved in dual entitlement cases. We expect the alerts to increase payment accuracy and prevent potential overpayments. As OIG acknowledges, we also established a workgroup to make recommendations for revising the rules of administrative finality.

**Recommendation 1**

Establish overpayments, as appropriate, for the 48 beneficiaries identified by our audit.

**Response**

We agree.

**Recommendation 2**

Record a Windfall Elimination Provision (WEP) exemption for the 33 beneficiaries identified by our audit.

**Response**

We agree.

**Recommendation 3**

Make a decision on whether it should revise its rules on administrative finality to allow for the correction of WEP and Government Pension Offset overpayments for the population of the dually entitled beneficiaries identified by our audits.

**Response**

We agree.

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