

Improper Payments to Retired Beneficiaries Who Worked Before Full Retirement Age

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Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it properly adjusted the monthly benefit amounts of retired beneficiaries who worked before they attained full retirement age.

Background

Social Security benefits are intended, in part, to replace earnings lost when an individual retires. When a recipient who has not attained full retirement age earns wages or self-employment income that exceed certain amounts, SSA must reduce his/her benefits to account for these excess earnings. At full retirement age, a beneficiary may earn any amount of wages or income without a reduction to his/her benefits.

SSA must adjust the monthly benefit amount for any beneficiary who attains full retirement age and whose monthly benefits it had reduced because of his/her excess earnings. This adjustment of the reduction factor (ARF) provides a credit for each month a beneficiary does not receive his/her full benefit before full retirement age.

We identified 7,477 beneficiaries who, according to their Master Beneficiary Record (MBR), had a monthly benefit reduced for work on or after January 2000 and whose monthly benefit amount was not adjusted when they attained full retirement age.

Findings

SSA did not properly adjust the benefit amounts for 53 of the 100 beneficiaries in our sample. Based on our sample results, we estimate SSA improperly paid 3,963 beneficiaries approximately \$6.9 million. If SSA does not take corrective action for the remaining beneficiaries, we estimate it will improperly pay them approximately \$1.4 million over the next 12 months. As of January 2020, SSA had taken corrective action for 13 of the 53 beneficiaries we identified.

Recommendations

We recommend SSA:

1. Take corrective action for the remaining 40 beneficiaries identified by our audit.
2. Based on the results of its corrective actions for the 53 beneficiaries, take corrective action for the remaining population of 7,477 beneficiaries.
3. Ensure it generates and resolves alerts for beneficiaries whose ARFs and/or benefit amounts should be adjusted in accordance with its current policies. For example, the Agency could retain alerts until they have been resolved or it could issue follow-up alerts to management when pending alerts are not resolved timely.

SSA agreed with our recommendations.