



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Denied Disability Claims that Required Manual Notifications to Claimants

062317 August 2025



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: August 21, 2025

Refer to: 062317

To: Frank Bisignano
Commissioner

From: Michelle L. Anderson *Michelle L. Anderson*
Acting Inspector General

Subject: Denied Disability Claims that Required Manual Notifications to Claimants

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration properly closed out denied disability claims that required the issuance of manually generated notifications to claimants.

If you wish to discuss the final report, please contact Jeffrey Brown, Deputy Assistant Inspector General for Audit.

Attachment

Denied Disability Claims that Required Manual Notifications to Claimants

062317



August 2025

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) properly closed out denied disability claims that required the issuance of manually generated notifications to claimants.

Background

Social Security representatives in the field offices (FO) usually obtain applications for Disability Insurance Benefits (DIB) in person, by telephone, by mail, or by filing online.

The FO is responsible for verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. The FO may make a technical denial determination when the claimant does not meet the non-medical eligibility requirements. In this instance, an employee will manually prepare a notification and issue it to the claimant. The notification must include the Agency's decision, the justification for the denial, and information about the claimant's appeal rights. If SSA does not provide this information in the notification, the application remains open for entitlement at a later date.

To accomplish our objective, we reviewed a sample of 175 cases from a population of 79,436 claimants whose DIB claims were allowed after SSA had initially denied them. We also reviewed a sample of 250 cases from a population of about 2.5 million claimants who were denied DIB by SSA and had not refiled at a later time.

Results

SSA did not consistently close out denied disability claims that required manually generated notifications be issued to claimants. Specifically, for 21 of 175 sampled claimants who refiled for disability benefits after an initial denial, SSA did not properly close out their original denied claims. In these instances, SSA did not correctly notify the claimants of its original denial decision or properly develop their original claims before denying them. Therefore, when the claimants later refiled for disability benefits, SSA owed them additional months of retroactive payments (underpayments). We estimate SSA owed approximately \$56 million in additional benefits to 9,532 claimants.

These issues occurred because SSA employees did not follow established policies and procedures for processing disability claims. In these instances, employees did not properly issue manually generated notifications or fully develop the claims. Proper development requires completing key elements of documentation, such as obtaining evidence, evaluating work activity, and assessing other eligibility factors necessary to make an informed determination.

In addition, when SSA denied disability for claimants who did not subsequently refile, the Agency did not always properly close out denied disability claims that required manually generated notifications be issued. SSA improperly closed 48 of 250 sampled cases. These cases create a risk to SSA that, if the claimants refile at a later date and are approved for disability, SSA will owe additional benefits.

Recommendations

We made three recommendations for SSA to improve controls and practices related to properly closing out denied disability claims that required the issuance of manually generated notifications to claimants. SSA agreed to implement our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DIB	Disability Insurance Benefits
FO	Field Office
FTC	Failure to Cooperate
MBR	Master Beneficiary Record
MCS	Modernized Claims System
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SGA	Substantial Gainful Activity
SSA	Social Security Administration
U.S.C.	United States Code

OBJECTIVE

To determine whether the Social Security Administration (SSA) properly closed out denied disability claims that required the issuance of manually generated notifications to claimants.

BACKGROUND

The Old-Age and Survivors Insurance program provides benefits to retired workers and their dependent family members and to survivors of deceased workers.¹ Social Security representatives in the field offices (FO) usually obtain applications for Disability Insurance Benefits (DIB) in person, by telephone, by mail, or by filing online. The Disability Insurance program provides benefits to disabled workers, their spouses, and children.²

The disability decision-making process begins when an individual applies for disability benefits. There are two determinations made on disability claims: medical and non-medical.

1. The FO is responsible for verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. After the applicant meets the non-medical requirements, the FO employee sends the application to the disability determination services (DDS) office in the state in which the applicant resides. The DDS then decides whether the claimant is disabled under Social Security law and meets the medical requirements.
2. The FO employees make denial determinations in initial disability claims that do not meet the program's non-medical requirements.³ When a claimant does not meet the non-medical requirements, the FO employee will deny the disability application.⁴

When the FO employee denies a claim, they must notify the disability claimant in writing. This determination notice must include the Agency's decision, the justification for the denial, and information about the claimant's appeal rights.⁵ If SSA does not provide this information in the notification, the application remains open for entitlement to benefits at a later date.⁶ If the claimant files a new application for disability benefits and SSA approves the claim, the claimant has protective filing dating back to the date of the original claim and SSA could be responsible for paying a benefit underpayment to the claimant.⁷

¹ *Social Security Act* §§ 201(a), 202, 42 U.S.C. §§ 401(a), 402.

² *Social Security Act* §§ 201(b), 223, 42 U.S.C. §§ 401(b), 423.

³ SSA, *POMS*, DI 40105.001 (January 18, 2011).

⁴ All material proof of age, citizenship, lag earnings, worker's compensation, military service, etc. must be developed and/or documented according to current POMS requirements. SSA, *POMS*, DI 11010.025 (April 4, 2017); SSA, *POMS*, DI 42010.010 (December 14, 2023).

⁵ SSA, *POMS*, NL 00601.020 (August 15, 2023).

⁶ SSA, *POMS*, NL 00601.160 (November 7, 2007), DI 26535.011 (October 23, 2014), and GN 00204.025 (March 9, 2012).

⁷ SSA, *POMS*, GN 00204.025, B.1.g (March 9, 2012).

SSA employees process most Old-Age, Survivors, and Disability Insurance claims through the Modernized Claims System (MCS), which determines the beneficiary's date of entitlement or denial, sends notices to claimants, and establishes the claimant's Master Beneficiary Record (MBR).⁸ SSA's MCS automatically generates specific notifications based on the entry of coded paragraph identifiers, such as those used for awards or benefit rate changes. However, some non-medical disability denial notices cannot be computer generated and must be manually prepared.⁹ For instance, if the claim is denied for a technical issue, such as failure to cooperate (FTC),¹⁰ the system does not automatically generate a notice because the details of each case can vary. Therefore, SSA policy requires the employee to manually prepare and issue the notification that clearly explains the denial reason(s).¹¹ To issue manual notices, SSA developed the Document Processing System.¹² It provides users with the ability to create customized notices using national, regional, and local templates.

In addition to notifying the claimant of a denial, FO employees are required to adhere strictly to policy and procedures when they make a non-medical disability determination. For example, employees must document all contact efforts with the claimant, including follow-up dates and the outcomes of each interaction. Failure to properly document the determination can lead to inaccuracies, which could result in other erroneous determinations. Consequently, noncompliance with required procedures can cause the claim to be reopened and lead to an underpayment.¹³ See Appendix A for more information regarding these required procedures.

SCOPE AND METHODOLOGY

To accomplish our objective, we obtained data from SSA on disability claims filed between January 1, 2020 and December 31, 2023, and subsequently denied on the MBR. To determine whether SSA properly closed out disability claims that required the issuance of a manually generated determination notice, we assessed SSA's controls over the disability claims that resulted in a denial determination for non-medical reasons and analyzed the data received from SSA. We used non-medical disability disallowance codes – related to FTC, substantial gainful activity (SGA), and lack of disability insured status – reported on the MBR to identify the following claimant populations:

⁸ In some situations, systems limitations prevent employees from processing claims in MCS, and they must instead use the Manual Adjustment Credit and Award Processes. Once an employee inputs a claim, the Title II Redesign System updates the MBR and produces exceptions and alerts when the inputs or MBR contain information or relationships that are not valid or the system could not fully process.

⁹ SSA, *POMS*, NL 00603.010 (January 14, 1997).

¹⁰ It is the claimant's responsibility to submit evidence to establish eligibility or entitlement for disability benefits, when requested. When the claimant does not respond to the FO's requests for evidence or action the claim is denied for "Insufficient Evidence Furnished." SSA, *POMS*, DI 11018.005 (January 6, 2020).

¹¹ SSA, *POMS*, DI 11018.005, E.2.a (September 9, 2024).

¹² SSA, *POMS*, DI 11010.345 (February 19, 2014).

¹³ Pursuant to 20 C.F.R. § 404.501(a), an underpayment is any monthly benefit amount due to a claimant that SSA has not paid.

- 79,436 disability claimants whose claims were initially denied but later refiled and began receiving benefits as of January 2024. From this group, we randomly selected 175 cases for review.
- 2,454,900 disability claimants whose claims were denied and did not refile for disability benefits as of January 2024. From this group, we randomly selected 250 cases for review.

See Appendix B for additional information on the scope and methodology. Also, see Appendix C for the sample results and estimates.

RESULTS OF REVIEW

SSA did not consistently close out denied disability claims that required manually generated notifications be issued to claimants. Specifically, for 21 of 175 sampled claimants who refiled for disability benefits after an initial denial, SSA did not properly close out their original denied claims. In these instances, SSA did not correctly notify the claimants of its original denial decision or properly develop their original claims before denying them. Therefore, when the claimants later refiled for disability benefits, SSA owed them additional months in retroactive payments (underpayments). We estimate SSA owed approximately \$56 million in additional benefits to about 9,532 claimants.

These issues occurred because SSA employees did not follow established policies and procedures for processing disability claims. In these instances, employees did not properly issue manually generated notifications or fully develop the claims. Proper development requires completing key elements of documentation, such as obtaining evidence, evaluating work activity, and assessing other eligibility factors necessary to make an informed determination.

In addition, when SSA denied disability for claimants who did not subsequently refile, the Agency did not always properly close out denied disability claims that required manually generated notifications be issued. SSA improperly closed 48 of 250 sampled cases. These cases create a risk to SSA that, if the claimants refile at a later date and are approved for disability, SSA will owe additional benefits.

Closing Out Disability Claims

SSA did not always properly close out denied disability claims that required manually generated notifications. An SSA employee will prepare a manual notification when a claim is denied for a technical issue, as the specific details can vary from case to case. The notice must include information informing the claimant of the Agency's decision and the claimant's appeal rights.¹⁴ If the Agency does not issue the claimant a notice, or if the notice does not include a reason for the denial and/or appeal rights, the application remains open for potential entitlement in the future.

Of 175 sampled claimants in current pay status who refiled for disability benefits after an initial denial, 15 were owed a total of \$128,879 in underpayments.¹⁵ This occurred because SSA did not properly close out their original claims, either by not issuing a manually generated notice or issuing a notice that did not include the required information. As a result, SSA was required to pay benefits retroactively from the date of the original filings. Examples follow.

- A claimant filed for disability benefits on September 4, 2020, and SSA denied the claim for FTC on November 17, 2020. The SSA employee responsible for processing the claim did not follow processes outlined in policy and did not send the claimant a disability determination notice. On August 6, 2021, the claimant filed a new disability application. When SSA approved the claimant for disability benefits, it determined benefits owed were based on the August 6, 2021 application instead of the September 4, 2020 application, which remained open. As a result, SSA underpaid the claimant \$27,968.
- A claimant filed for disability benefits on February 21, 2020, and SSA denied the claim for FTC on April 2, 2020. However, the determination notice the FO employee sent the claimant did not meet SSA notice requirements. For example, the notice did not state the request was disallowed because the claimant did not furnish the correct evidence the FO requested. In addition, the notice did not (1) explain that failing to provide SSA the requested evidence could result in action unfavorable to the claimant, (2) advise the claimant the FO would give any necessary assistance in obtaining evidence, (3) encourage the claimant to ask for assistance, or (4) include the claimant's right to representation paragraph. Therefore, when the claimant refiled on June 2, 2020, SSA reopened the previous claim and determined the claimant was owed an additional \$4,395 for 3 months of disability payments.

This issue occurred because SSA employees did not adhere to established policies and procedures for issuing manually generated notices. Specifically, staff either (1) did not generate and send a required notice to the claimant, or (2) issued a notice that lacked essential information mandated by policy – namely, the reason for the denial and/or information regarding the claimant's appeal rights.

Although employees did not adhere to established policies and procedures, this issue does not appear to stem from a lack of training as the Agency provides comprehensive training to newly hired Claims Specialists and newly promoted Customer Service Representatives on manual

¹⁴ *Social Security Act*, § 205(b)(1), 42 U.S.C. § 405(b)(1).

¹⁵ We identified another 42 instances in which SSA did not close out denied disability claims that required the issuance of manually generated notices, but these instances did not result in underpayments.

notice procedures. Additionally, the Agency reinforces policy compliance through frequent reminders, ongoing policy updates, and access to multiple reference tools and workflows designed to support accurate claims processing.

Based on our sample results, we estimate SSA owed approximately \$40 million in disability underpayments to about 6,768 claimants.¹⁶ These underpayments could have been avoided had SSA properly closed out the original disability claims by issuing manually generated notices or sending non-medical denial notices that complied with Agency standards.

Mandatory Disability Claim Development

SSA did not always complete all mandatory claim development before it denied disability claims as required by adjudicative policy and SSA standards.¹⁷ Of the 175 sampled claimants in current pay who refiled for disability benefits after an initial denial, 6 were underpaid a total of \$23,253 after SSA reopened their previous claims and completed mandatory development that had not been completed previously.¹⁸ Specifically, SSA employees did not complete all mandatory actions to (1) request evidence by sending initial and/or final request notices, (2) prepare a special determination, and/or (3) develop earnings before they denied the claims.

For example, a claimant filed for disability benefits on September 15, 2022. SSA denied the claim for FTC on December 5, 2022. However, SSA did not prepare a special determination to support the FTC decision, which left no evidence that staff fully developed the claim to obtain the required evidence. As such, when the claimant refiled on December 20, 2022, SSA reopened the previous claim and obtained the necessary evidence to support an approval decision. Therefore, the claimant was owed an additional \$3,330 for 3 months of disability payments using the previous claim's file date.

This issue occurred because SSA employees did not consistently follow established policies and procedures when processing disability claims. Specifically, we identified multiple instances in which SSA employees processed claims without completing key elements of required documentation and development steps required for a proper adjudication. These omissions reflect noncompliance with Agency protocols designed to ensure the accuracy, completeness, and integrity of the claims process.

For example, in several cases, employees denied claims without developing lag earnings or FTC development, despite these factors being critical to the claim's determination.¹⁹ In these instances, employees did not document whether they had obtained, reviewed, or considered the necessary evidence prior to issuing a decision. These issues do not appear to be due to a lack of training, as the Agency provides formal instruction for relevant staff, along with regular policy

¹⁶ See Appendix C for more information on our sample results and estimates.

¹⁷ Claim development is a critical component of the adjudication process and may include verifying employment history; assessing SGA; gathering lag earnings; and obtaining wage records, employee statements, or other documentation necessary to support eligibility determinations. These steps ensure SSA has collected and evaluated all relevant evidence to make an accurate and legally sufficient decision.

¹⁸ SSA did not complete all mandatory claim development for 14 additional benefits, but these cases did not result in underpayments.

¹⁹ Lag earnings are unposted earnings paid or derived in the lag period. The lag period is the current year and the preceding year. SSA, POMS, RS 01404.005, A (January 4, 2024).

updates and readily available reference tools to support proper claim development. Based on our sample results, we estimate SSA owed approximately \$16 million in underpayments to 2,764 claimants that could have been prevented had SSA completed mandatory claim development when it processed claims.²⁰

Potential Future Underpayments

Based on our review of a sample of 250 individuals who were previously denied disability benefits by SSA and had not refiled, SSA did not properly close out claims in 48 instances.²¹ Of the 48 sample cases,

- 22 involved manually generated notifications that did not include information informing the claimant of the Agency's decision and the claimant's appeal rights,
- 14 involved manually generated notifications that SSA did not send to claimants, and
- 12 involved incorrect or incomplete mandatory claim development.

Although these errors did not result in underpayments since these individuals did not refile for disability benefits, underpayments could occur in the future if any of these individuals refile and SSA determines them to be disabled.

CONCLUSION

SSA could improve its controls to ensure employees fully develop and properly close claims. Until SSA addresses these issues, it may continue incorrectly denying claims and underpaying claimants. Enhancing these controls will not only prevent improper payments but also safeguard claimants' rights and reinforce the integrity of the disability determination process.

RECOMMENDATIONS

We recommend that SSA

1. Review and pay claimants the underpayments we identified, as applicable.
2. Add controls to ensure employees properly notify claimants when disability claims are denied and manual notifications are required.
3. Add controls to ensure employees complete all mandatory claim development prior to denying disability claims.

AGENCY COMMENTS

SSA agreed to implement our recommendations; see Appendix D.

²⁰ See Appendix C for more information on our sample results and estimates.

²¹ We sampled 250 individuals from a universe of approximately 2.5 million claimants.

APPENDICES

Appendix A – BACKGROUND

Request Evidence by Sending Initial and/or Final Request Notices

The *Social Security Act*, Federal regulations, and Social Security Administration (SSA) policy requires that claimants submit evidence to establish their rights to Social Security Disability Insurance.¹ During the initial interview, field office (FO) employees must provide the claimant a complete written list of required evidence and advise the claimant of all their rights and responsibilities, including the responsibility to report work activity and identify all medical sources.² If the claimant does not respond or refuses to cooperate, SSA issues a follow-up letter (SSA-L1045-U2, *Letter Requesting Proof from Claimant*) stating the claim will be denied after 30 days if the claimant does not provide SSA with the required information.³ FO employees must document all interactions, follow-up attempts, and reasons for disallowance in a special determination, noting whether the claimant made a reasonable effort to provide the required evidence.⁴

Develop Claimant's Work Activity

For Title II disability claims, the alleged onset date is the date the claimant alleges they became unable to work due to a medical condition.⁵ If a claimant earns income after the alleged onset date, an SSA employee must determine whether the earnings and associated work activity reflect substantial gainful activity (SGA),⁶ which involves significant physical or mental work typically performed for pay or profit.⁷ To determine SGA, technicians verify earnings using policy-mandated sources and document work activity on Form SSA-821-BK, *Work Activity Report – Employee*. FO employees must also complete Form SSA-823, *Report of SGA Determination*, to document their SGA determination.⁸

Develop Lag Earnings

To qualify for disability benefits, claimants generally must have at least 20 quarters of Social Security-covered earnings within a 40-quarter period.⁹ The period between a claimant's "date

¹ *Social Security Act* § 223(d)(5)(A), 42 U.S.C. § 423(d)(5)(A); 20 C.F.R. §§ 404.704, 404.1512; SSA, *POMS*, GN 00301.001 (December 9, 2003).

² SSA, *POMS*, GN 01010.410 (July 26, 2023) and DI 11005.001 (August 4, 2023).

³ SSA, *POMS*, GN 01010.410, C.2 (July 26, 2023).

⁴ SSA, *POMS*, GN 01010.410, C.3 (July 26, 2023).

⁵ SSA, *POMS*, DI 25501.210, A.1 (July 27, 2022).

⁶ 20 C.F.R. § 404.1572; SSA, *POMS*, DI 10501.001 (January 5, 2007) and DI 10501.015 (October 28, 2024). The SGA threshold generally changes each year based on changes in the national average wage index. During the period of our review, the monthly SGA threshold for non-blind individuals ranged from \$1,260 to \$1,470.

⁷ SSA, *POMS*, DI 10501.001 (January 5, 2007).

⁸ SSA, *POMS*, DI 10505.035 (October 30, 2024).

⁹ SSA, *POMS*, RS 00301.120 (October 11, 2023).

first insured” (when they first meet insured status) and “date last insured” (when they no longer meet insured status) is known as the insured period.¹⁰

Before denying a disability claim for lack of insured status, SSA employees must develop unposted earnings and consider lag earnings – earnings from the filing year and the previous year that may not yet be recorded.¹¹ They must resolve any earnings discrepancies, coverage issues, or earnings gaps.

¹⁰ SSA, *POMS*, DI 25501.310, A.2 (December 17, 2024) and RS 00301.148 (October 11, 2023).

¹¹ SSA, *POMS*, GN 01010.440 (December 12, 2014) and RS 01404.005 (January 4, 2024).

Appendix B – SCOPE AND METHODOLOGY

To accomplish our objective, we

- Reviewed applicable Federal laws including sections of the *Social Security Act* and Social Security Administration (SSA) regulations, policies, and procedures to include those effective during the COVID-19 pandemic.
- Reviewed relevant Office of the Inspector General reports.
- Obtained data in January 2024 from the Master Beneficiary Record that identified approximately 2,534,336 claimants who had filed disability claims and were subsequently denied for failure to cooperate (FTC), substantial gainful activity (SGA), or lack of insured status from January 1, 2020 through December 31, 2023. Based on these data, we identified
 - 79,436 claimants who received monthly disability benefits from SSA after refiling for disability, despite having a prior claim denied because of FTC, SGA, or lack of insured status. From the 79,436 claimants, we selected a random sample of 175 cases for review.
 - 2,454,900 claimants whose previous disability claims were denied for FTC, SGA, or lack of insured status and who did not refile for disability benefits. From the 2,454,900 claimants, we selected a random sample of 250 cases for review.
- Analyzed the sample cases by reviewing information from the
 - Evidence Portal, which includes the Claims File User Interface, Online Retrieval System, and Paperless Read Only Query System;
 - eView;
 - Electronic Disability Collect System;
 - Modernized Claims System;
 - Master Beneficiary Record; and
 - Summary and Detailed Earnings Queries.
- Identified and assessed SSA's controls over disability claim development for claimants applying for benefits based on a disability.
- Identified and assessed SSA's controls over mandatory disability claim development completed before a determination for claimants applying for benefits based on a disability.

For each error case identified, we determined the impact of missing or non-legally sufficient, manually generated notifications had on SSA claimants by calculating the following:

- Net disability underpayments claimants were due when SSA reopened the disability claim due to employee error.
- Net disability benefit underpayments SSA could have prevented had SSA employees correctly processed claimants' disability determinations by sending sufficient manually generated notifications to all claimants.

Additionally, we conducted analysis by obtaining and reviewing supporting documentation in SSA's information systems to determine whether SSA employees completed mandatory claim development and SSA issued legally sufficient manual disability determination notices to the claimants.

To assess the reliability of data obtained for our analysis, we (1) performed electronic testing to determine accuracy and completeness of the data; (2) compared data to SSA's statistical reports; and (3) traced data to SSA's source queries or documents. We determined the data used for this audit were sufficiently reliable to meet our objective.

The entities audited were the field offices and program service centers under the Office of the Deputy Commissioner for Operations and the Offices of Retirement and Survivors Insurance Systems, Disability Systems and Applications and Supplemental Security Income Systems under the Office of the Deputy Commissioner for Systems. We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following components and principles as significant to the audit objective.

- Component 3: Control Activities
 - Principle 11: Design activities for the information system
- Component 5: Monitoring
 - Principle 16: Perform monitoring activities

We conducted our review from April 2023 to November 2024. 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 findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C – SAMPLE RESULTS AND ESTIMATES

We obtained from the Social Security Administration’s (SSA) Advanced Data Analytics Lab, Master Beneficiary Record data from SSA’s Enterprise Data Warehouse for 4,638,355 disability claims with a denial determination between January 1, 2020 and December 31, 2023. Using the data, we limited the scope of our review to claimants whom SSA denied because of failure to cooperate (FTC), substantial gainful activity (SGA) or lack of insured status. We then summarized by Social Security number which simplified our record count from 4,638,355 to 2,534,336 cases.

From these data, we identified 79,436 claimants who refiled and received Old-Age, Survivors, and Disability Insurance benefits after SSA had denied their previous disability claim for FTC, SGA, or lack of insured status. In addition, we identified 2,454,900 claimants whom SSA did not issue monthly Old-Age, Survivors, and Disability Insurance benefits or the claimant did not refile after the disability claim was denied for FTC, SGA, or lack of insured status.

To conduct this review, we used a simple random sample statistical approach. From the 79,436 claimants, we randomly selected 175 cases for review. From the 2,454,900 claimants, we randomly selected 250 cases for review. See Table C-1 below for more details.

Each sample item had an equal chance of being selected throughout the sampling process, and the selection of one item had no impact on the selection of other items. Therefore, we were guaranteed to choose a sample that represented the sampling frame, absent human biases, and ensured statistically valid conclusions of, and projections to, the entire sampling frame under review. Our sampling approach for this review ensures our reported projections are statistically sound and defensible.

Table C–1: Sampling Frame and Sample Size

Sampling Frame	Sampling Frame Size	Sample Size
Denied Disability Claimants in Current Pay Status	79,436	175
Denied Disability Claimants Not in Current Pay Status	2,454,900	250
Total	2,534,336	425

Sample Errors and Projections

For each sampled case, we determined whether SSA employees properly closed out disability claims denied for non-medical reasons that required the issuance of manually generated notifications to claimants. Of the 175 cases reviewed, 21 resulted in underpayments totaling \$152,132 owed to claimants.

Based on our sample results, we estimate SSA issued approximately \$56 million in underpayments to 9,532 claimants because SSA employees did not properly close out denied disability claims or did not complete mandatory claim development (see Table C-2).

Table C-2: Disability Underpayments in Sample

Description	Number of Cases with Underpayments	Underpayment Amounts
Sample Results	21	\$152,132 ¹
Point Estimate	9,532	\$56,360,523
Projection Lower Limit	6,504	\$31,374,687
Projection Upper Limit	13,356	\$81,346,359

The Agency Did Not Always Close Out Disability Claims Properly

Of the 21 cases with underpayments, 15 (71 percent) pertained to instances in which SSA did not close out the initial disability claims properly due to insufficient denial notifications.

Claimant Estimate

We estimated the total number of claimants who were underpaid by multiplying 71 percent by the projected point estimate of 9,532 total claimants (see Table C-2 above), resulting in approximately 6,768 claimants who were underpaid.

Underpayment Estimate

We estimated total underpayments owed to claimants by multiplying 71 percent by the projected point estimate of \$56,360,523 (see Table C-2 above), resulting in approximately \$40 million in underpayments owed.

For further details, see Table C-3 below.

SSA Did Not Always Complete All Mandatory Disability Claim Development

Of the 21 cases with underpayments, 6 (29 percent) pertained to instances in which SSA did not complete all mandatory disability claim development.

Claimant Estimate

We estimated the total number of claimants who were underpaid by multiplying 29 percent by the projected point estimate of 9,532 total claimants (see Table C-2 above), resulting in approximately 2,764 claimants who were underpaid.

¹ In addition, we identified 1 case with \$27,968 in underpayments, which we excluded from the variable projections for underpayments but included in the attribute projections because the payment was considered an outlier.

Underpayment Estimate

We estimated total underpayments owed to claimants by multiplying 29 percent by the projected point estimate of \$56,360,523 (see Table C-2 above), resulting in approximately \$16 million in underpayments owed.

For further details, see Table C-3 below.

Table C–3: Disability Underpayment Percent for Sample

Type of Error	Error Case Resulting in Underpayments	Percent of Projection	Claimant Projection	Underpayment Amount Projection
SSA Did Not Always Close Out Disability Claims Properly	15	71	6,768	\$40,015,971
SSA Did Not Always Complete All Mandatory Disability Claim Development	6	29	2,764	\$16,344,552
Total	21	100	9,532	\$56,360,523

Potential Future Underpayments

SSA employees did not complete all required disability claim steps for 48 claimants before denying claims for disability benefits for reasons related to FTC, SGA, and lack of insured status based on its policies and procedures. Based on the sample results, we estimated SSA employees failed to send a disallowance notice to claimants and/or did not complete mandatory claim development for 471,341 claimants. SSA's failure to fully adhere to the law and its policy could result in 471,341 claimants' disability applications still being open and SSA would be liable to pay an underpayment if they refile and are awarded disability benefits at any point in the future (see Table C-4).

Table C–4: Sample Results

Description	Sample Results
Sample Results	48
Projected Quantity/Point Estimate	471,341
Projection Lower Limit	372,960
Projection Upper Limit	583,371

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

Office of the Commissioner

MEMORANDUM

Date: August 4, 2025

Refer To: TQA-1

To: Michelle L. Anderson
Acting Inspector General

A handwritten signature in black ink, appearing to read "Chad Poist", written over a horizontal line.

From: Chad Poist
Chief of Staff

Subject: Office of the Inspector General Draft Report "Denied Disability Claims that Required Manual Notifications to Claimants" (062317) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations. For the vast majority of disability claims we manage, the denial notifications are generated through an automated process. For those requiring manual issuance, we continue to refine our processes to ensure quality, accuracy, and the integrity of our programs.

Please let me know if I can be of further assistance. You may direct staff inquiries to Amy Gao at (410) 966-1711.



Mission:

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