



Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Audit Report

The Social Security
Administration's Enforcement of
the Earnings Test

A-08-21-51049 February 2024



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: February 2, 2024

Refer to: A-08-21-51049

To: Martin O'Malley
Commissioner

From: Gail S. Ennis *Gail S. Ennis*
Inspector General

Subject: The Social Security Administration's Enforcement of the Earnings Test

The attached final report presents the results of the Office of Audit's review. The objectives were to determine (1) whether the Social Security Administration accurately and timely paid beneficiaries subject to the earnings test and (2) the administrative costs to enforce the earnings test.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit.

Attachment

The Social Security Administration's Enforcement of the Earnings Test

A-08-21-51049



February 2024

Office of Audit Report Summary

Objectives

To determine (1) whether the Social Security Administration (SSA) accurately and timely paid beneficiaries subject to the earnings test and (2) the administrative costs to enforce the earnings test.

Background

The earnings test is a provision of the *Social Security Act* that requires that SSA withhold payments from beneficiaries who are under full retirement age (FRA) if their earnings exceed a certain limit. To administer the earnings test, SSA employees and systems: (1) suspend benefits based on estimated earnings, (2) enforce the earnings test based on actual earnings, (3) calculate overpayments, and (4) increase monthly benefits effective at FRA if SSA withheld benefits because of the earnings test.

To accomplish our first objective, we obtained and reviewed three populations of beneficiaries affected by earnings-test provisions. To accomplish our second objective, we worked with SSA staff to obtain estimated administrative costs to enforce the earnings test in Fiscal Year (FY) 2021.

Results

SSA did not accurately or timely pay beneficiaries subject to the earnings test. As a result, we estimate SSA:

- inaccurately calculated approximately 47,000 of the 294,000 earnings-test overpayments established in FY 2021, totaling more than \$148 million;
- inaccurately paid approximately 9,000 beneficiaries approximately \$29 million based on estimated earnings that were more or less than their actual earnings; and
- did not timely pay approximately 176,000 beneficiaries approximately \$81 million in monthly benefit increases.

In general, SSA did not accurately calculate earnings-test overpayments because it used incorrect monthly earnings information when the monthly earnings test applied. SSA systems also contributed to the inaccurate and untimely payments due to programming limitations in the earnings enforcement process and outdated systems that issue earnings-test-related monthly benefit increases effective at FRA. SSA's unclear policies regarding when and how employees can grant earnings-test-related monthly benefit increases also likely contributed to SSA's untimely release of payments.

In FY 2021, SSA spent approximately \$70 million in administrative costs to enforce the earnings test. This estimated cost is conservative because there were many actions associated with administering the earnings test neither we nor SSA could quantify.

Recommendations

We made 10 recommendations for SSA to improve its administration of the earnings test. SSA agreed with our recommendations.

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ABBREVIATIONS

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Regulations
CY	Calendar Year
EEO	Earnings Enforcement Operation
FRA	Full Retirement Age
FY	Fiscal Year
MBR	Master Beneficiary Record
MEF	Master Earnings File
OASDI	Old-Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
Stat.	United States Statutes at Large
U.S.C.	United States Code

OBJECTIVES

Our objectives were to determine (1) whether the Social Security Administration (SSA) accurately and timely paid beneficiaries subject to the earnings test and (2) the administrative costs to enforce the earnings test.

BACKGROUND

The earnings test is a provision of the *Social Security Act* (Act). The provision requires that SSA withhold monthly payments from beneficiaries who are under full retirement age (FRA)¹ and not entitled to disability benefits² when their earnings exceed a certain limit.³ Congress included this provision in the Act because it intended the Social Security program to insure workers and their families against lost wages due to a worker's retirement, disability, or death. The earnings-test provision has changed numerous times since its inception. For example, in 2000, Congress eliminated the earnings test for beneficiaries beginning with the month they attain FRA.⁴ SSA's Office of the Chief Actuary estimated, if Congress eliminates the remainder of the earnings-test provisions in January 2026, the long-term solvency of the Old-Age, Survivors, and Disability Insurance (OASDI) Trust Fund would increase by 3 percent after 75 years.⁵ To administer the earnings test, SSA employees and systems perform the following:⁶

1. **Suspend Benefits:** The Act gives the Agency authority to suspend benefits (in whole or in part) if it has reason to believe a beneficiary's earnings will exceed the limit.⁷ SSA suspends monthly benefits by temporarily withholding payments if a beneficiary under FRA provides a current-year work estimate that exceeds yearly and/or monthly earnings limits.⁸ For example, if a beneficiary is under FRA for all of 2024, SSA will temporarily withhold \$1 from their benefits for each \$2 they estimate they will earn above \$22,320. If the beneficiary

¹ FRA is the age at which beneficiaries may receive unreduced old-age, spouse's, or widow(er)'s benefits. See SSA, *POMS*, RS 00615.003 (May 21, 2004), for more information on FRA for beneficiaries with different dates of birth and types of entitlement.

² The earnings test does not generally apply to disabled beneficiaries, divorced spouses, or beneficiaries working outside the United States. However, there are limited exceptions that subject disabled beneficiaries to the earnings test described in SSA, *POMS*, RS 02501.021, B.5 (November 7, 2023).

³ *Social Security Act* § 203, 42 U.S.C. § 403(b).

⁴ *Senior Citizens' Freedom to Work Act of 2000*, Pub. L. No. 106-182, 114 Stat. 198.

⁵ The Old-Age and Survivors Insurance and Disability Insurance Trust Funds are distinct legal entities that operate independently. The two Trust Funds are often considered on a combined basis—designated OASDI—to illustrate the status of the Social Security program as a whole. The Actuary's Office based its estimate on Intermediate Assumptions of the 2023 Trustees Report and assumptions SSA beneficiaries' life expectancy will increase. We did not independently verify the Actuary Office's estimation. SSA, Office of the Chief Actuary, *Long Range Solvency Provisions: Summary Measures and Graphs*, ssa.gov, B7.11 (November 7, 2023).

⁶ The actions described in this report do not encompass all actions SSA employees and systems take to enforce the earnings test. For example, we did not review SSA's actions to adjust the beneficiary's month of entitlement based on their earnings. In addition, we did not determine whether SSA employees provided accurate information when they described the earnings test to members of the public.

⁷ *Social Security Act* § 203, 42 U.S.C. § 403(h).

⁸ SSA, *POMS*, RS 02501.105, B (November 7, 2023) encourages beneficiaries to provide high earnings estimates to avoid overpayments.

reaches FRA in 2024, SSA will withhold \$1 from their benefits for each \$3 they estimate they will earn above \$59,520 until the month they reach FRA.⁹ In the year(s) the monthly earnings test applies, SSA compares the monthly exempt amount to monthly earnings to determine whether full benefits can be paid for any month of the year.¹⁰ A worker's earnings may also result in SSA withholding benefits from family members, such as spouses and children, who receive benefits on their record.

- 2. Earnings Enforcement:** SSA uses earnings on the Master Earnings File (MEF)¹¹ and other information in its records to adjust benefits under the earnings test and ensure benefits are properly paid after the end of the Calendar Year (CY). If SSA determines it withheld more or less than the beneficiary was due based on their actual earnings, SSA will assess an overpayment or release an underpayment.¹² SSA designed its cyclical Earnings Enforcement Operation (EEO) selection process to identify overpayments and certain underpayments by comparing the beneficiary's estimated earnings on their Master Beneficiary Record (MBR)¹³ to their actual earnings.¹⁴ After EEO identifies the over- or underpaid beneficiaries, it submits their earnings information to SSA's processing systems to update the MBR.¹⁵
- 3. Calculate Overpayments:** According to SSA, earnings-test overpayments occur when the beneficiary earned over the exempt amount and under-reported or failed to report their earnings to SSA. SSA employees or systems calculate overpayment amounts by comparing the difference between the benefits SSA paid and the benefits SSA should have paid during the overpayment period.¹⁶

⁹ SSA, *POMS*, RS 02501.025, D (January 19, 2024).

¹⁰ SSA, *POMS*, RS 02501.021, B (November 7, 2023) and RS 02505.065, B (November 14, 2023). Under the monthly earnings test, SSA pays full benefits for any month the beneficiary neither earns wages higher than the monthly exempt amount nor performs substantial services in self-employment. For simplification purposes, we will use the term "monthly earnings" to refer to wages and substantial services performed in self-employment. SSA only applies the monthly earnings test if the beneficiary's annual earnings exceed the limit and the beneficiary meets specified criteria in SSA, *POMS*, RS 02501.030 (November 7, 2023).

¹¹ The MEF is the database SSA uses to store earnings information it receives from employers and the Internal Revenue Service.

¹² SSA determines the beneficiary's actual earnings based on a report from the beneficiary or earnings on the MEF.

¹³ The MBR stores beneficiary claim data for every current and previously entitled OASDI beneficiary and is organized into 20 segments based on the last 2 digits of a worker's Social Security number.

¹⁴ SSA, *POMS*, RS 02510.026, A (May 20, 2013).

¹⁵ Title II Redesign is SSA's primary post-entitlement processing system. In some instances, Title II Redesign cannot process post-entitlement actions to update beneficiaries' records and employees must do so. SSA's Office of Analytics and Improvement also maintains a program that identifies error-prone enforcement cases that require additional actions before Title II Redesign processing.

¹⁶ SSA, *POMS*, GN 02201.003 (October 13, 2023).

4. Increase Monthly Benefits: SSA reduces monthly benefits by a certain percentage for each month the beneficiary receives benefits before their FRA. SSA provides the beneficiary a credit for each month SSA withheld full or partial benefits because of their earnings and increases the monthly benefit amount effective with the beneficiary's FRA.¹⁷ Generally, SSA's systems automatically pay increased benefits in August of the year after FRA.¹⁸

To accomplish our first objective, we reviewed:

- 50 randomly sampled overpayments from a population of approximately 15,000 earnings-test overpayments established in Fiscal Year (FY) 2021 from 1 segment of the MBR. We estimate SSA established approximately 300,000 earnings-test overpayments in FY 2021 on all 20 segments of the MBR.¹⁹
- 100 randomly sampled beneficiaries from a population of approximately 51,000 beneficiaries who had discrepancies between CY 2019 earnings on the MBR and MEF.²⁰
- 100 randomly sampled records from a population of approximately 205,000 beneficiaries who were potentially due monthly benefit increases effective at FRA in FY 2020.²¹

To accomplish our second objective, we worked with SSA staff in the Offices of the Deputy Commissioners for Operations, Systems, and Budget, Finance, and Management to obtain estimated administrative costs to enforce the earnings test in FY 2021. See Appendix A for more information on our scope and methodology.

¹⁷ SSA, *POMS*, RS 00615.480 (September 16, 2002). SSA grants adjustments of the reduction factors to surviving spouses effective at age 62 and at FRA. However, we did not review cases to determine whether SSA correctly adjusted reduction factors to surviving spouses at age 62. We refer to "adjustment of reduction factors" as "monthly benefit increases."

¹⁸ 20 C.F.R. § 404.412(b). SSA examines beneficiary records every year to identify beneficiaries who attained FRA and are potentially eligible for increased monthly benefits because SSA reduced their benefits based on their earnings before FRA.

¹⁹ We multiplied 14,679 earnings-test overpayments established in FY 2021 on 1 segment of the MBR by 20 segments to estimate SSA established 293,580 earnings-test overpayments on all segments of the MBR.

²⁰ We did not include beneficiaries who attained FRA in CY 2019 because SSA only counts earnings before FRA for the earnings test, but SSA records the entire year's earnings on the MEF.

²¹ The population contained unique claim account number and beneficiary identification code combinations. Some beneficiary Social Security numbers appeared multiple times in the population because beneficiaries were eligible for monthly benefit increases on multiple accounts. We refer to the combined claim account number and beneficiary identification code as a "beneficiary."

RESULTS OF REVIEW

SSA did not accurately or timely pay beneficiaries subject to the earnings test. In FY 2021, SSA established approximately 294,000 earnings-test overpayments totaling more than \$1 billion.²² However, our sample review found SSA inaccurately calculated approximately 47,000 of these overpayments totaling more than \$148 million. That is, SSA either requested beneficiaries pay more or less than what they owed. These incorrect overpayment calculations generally occurred because SSA used incorrect monthly earnings information when the monthly earnings test applied.

We estimate SSA did not accurately pay approximately \$29 million to 9,000 beneficiaries based on estimated earnings on their MBRs that were more or less than their actual earnings recorded on the MEF.²³ This occurred because EEO did not always identify beneficiaries who had too much withheld from their payments because their estimated earnings on the MBR were more than their actual earnings on the MEF. In addition, SSA employees did not take, or improperly took, manual actions to adjust benefits SSA systems could not automatically process.

Overall, SSA paid the correct amount to beneficiaries who were due earnings-test-related monthly benefit increases effective at FRA. However, SSA issued approximately \$81 million in monthly benefit increases to 176,000 beneficiaries after policy allowed the first increased payment.²⁴ Although the systems SSA had in place to issue earnings-test-related monthly benefit increases were working as designed, they were outdated, which led to the untimely release of payments. SSA's unclear policies regarding when and how employees can grant earnings-test-related monthly benefit increases also likely contributed to SSA's untimely release of payments.²⁵

In FY 2021, SSA spent approximately \$70 million in administrative costs to enforce the earnings test. This amount is conservative because there were many actions associated with enforcing the earnings test neither we nor SSA could quantify.

Earnings Test Overpayments

We estimate SSA established approximately 294,000 earnings-test overpayments, totaling more than \$1 billion, in FY 2021.²⁶ Of these, we estimate SSA inaccurately calculated approximately 47,000 overpayments totaling more than \$148 million. That is, SSA requested beneficiaries pay more or less than what they owed. For 50 sampled beneficiaries, SSA did not accurately

²² Based on our review of data from 1 segment of the MBR, we determined SSA established 14,679 earnings-test overpayments in FY 2021 worth \$52,381,321. We then estimated 293,580 (14,679 x 20) overpayments established worth approximately \$1.1 billion (\$52,381,321 x 20) across all 20 MBR segments. Though SSA established the overpayments in FY 2021, the overpayments are based on earnings for prior years.

²³ SSA overpaid some beneficiaries and underpaid others.

²⁴ SSA should release underpayments when it detects a beneficiary received less than the correct amount. 42 U.S.C. § 404.

²⁵ SSA, *POMS*, RS 02510.015, B (November 29, 2023), RS 00615.480 (September 16, 2002), RS 00615.482 (December 7, 2023), and RS 02501.021, C (November 7, 2023).

²⁶ Based on our review of data from 1 segment of the MBR, we determined SSA established 14,679 earnings-test overpayments totaling \$52,381,321 in FY 2021. We then estimated 293,580 (14,679 x 20) overpayments totaling \$1,047,626,420 (\$52,381,321 x 20) on all 20 MBR segments.

calculate 8 (16 percent) overpayments totaling approximately \$25,000.²⁷ In general, SSA inaccurately calculated these overpayments because it used incorrect monthly earnings information when the monthly earnings test applied. For the eight sampled beneficiaries with inaccurate overpayments, SSA inaccurately calculated:

- three overpayments by approximately \$4,200 because of miscellaneous processing errors²⁸ and
- five overpayments by approximately \$21,000 because it did not correctly apply the monthly earnings test. For four of these five overpayments, employers verified the beneficiaries' monthly wages were below the monthly limit, and we determined SSA should reduce or eliminate the beneficiaries' overpayments. For example, SSA incorrectly calculated an overpayment for one of the four beneficiaries with earnings below the monthly limit. As a result, the beneficiary paid approximately \$8,000 more than they owed.²⁹ An SSA employee accepted the fifth beneficiary's assertion their monthly earnings were below the limit despite evidence in SSA records indicating the beneficiary's monthly earnings exceeded the limit.³⁰ As a result, the beneficiary paid approximately \$8,500 less than what they owed. SSA incorrectly calculated three more overpayments for sampled beneficiaries. However, SSA correctly adjusted the beneficiaries' overpayments by approximately \$5,700 before our review.³¹ Therefore, we did not include these corrections in our estimate of inaccurate FY 2021 overpayment calculations.³²

SSA also identified similar problems with earnings-test overpayment calculations in two of its prior internal reviews. In its 2015 review, SSA found, in a significant number of cases processed by SSA's automated systems, the monthly earnings information it needed to make a correct overpayment calculation was missing. In a 2018 review, SSA estimated \$201 million in inaccurately calculated earnings-test overpayments.³³ This shows the issues we identified are part of long-standing problems with SSA's earnings-test overpayment calculations.

²⁷ Some overpayments remained outstanding, while SSA had recovered or resolved other overpayments. These findings did not include the overpayment for one (2 percent) beneficiary because SSA incorrectly calculated the overpayment, but we could not determine the correct overpayment calculation (if any). We requested that SSA take corrective action to resolve the beneficiary's allegation that wages on the MEF did not belong to them so we could determine their correct payments for the overpayment year. SSA indicated it would not take corrective action on this case until the conclusion of our review. See Appendix B for more information about our sample results and projections to the population.

²⁸ SSA did not charge an approximately \$1,500 overpayment to one beneficiary and charged excess overpayments of approximately \$2,700 to two beneficiaries. Before our review, SSA partially corrected the overpayment for one of the beneficiaries and reduced it by approximately \$100. We did not include the correction in our incorrect overpayment calculations.

²⁹ SSA should reimburse this beneficiary for the funds it incorrectly recovered.

³⁰ The employer confirmed the beneficiary had monthly earnings above the limit in all months of the overpayment year.

³¹ SSA reduced two beneficiaries' overpayments by approximately \$4,800 and increased one beneficiary's overpayment by approximately \$900.

³² Because of data limitations, we could not quantify the total amount of FY 2021 overpayments SSA corrected by reducing or eliminating the overpayment amount. SSA records some overpayment corrections as erroneous benefit withholdings and does not record other corrections on the MBR.

³³ While our methodology was similar to SSA's, we did not include such factors as month of entitlement changes and earnings from prior years in our review.

Without accurate and timely earnings information, SSA will continue overpaying beneficiaries and inaccurately calculate some of these overpayments. SSA policy indicates it is the beneficiary's responsibility to report their annual and monthly earnings if they expect their earnings to exceed the annual limit.³⁴ However, relying on beneficiaries to self-report their annual and monthly earnings is an inherent challenge that is impeding SSA's ability to process earning test actions accurately and timely. For example, beneficiaries may fail to report or incorrectly estimate their earnings because they misunderstand SSA's earnings-test policies or want to delay earnings-test withholdings.

SSA has opportunities to improve the accuracy and timeliness of its earnings information thereby improving the accuracy of its payments to beneficiaries subject to the earnings test by:

- Expanding existing initiatives to obtain earnings information electronically. For example, SSA has agreements with third parties to obtain wage information (including quarterly and monthly wages) to reduce its reliance on disabled beneficiaries to self-report their earnings.³⁵
- Incorporating applicants' responses to the earnings test questions on the printed application summary SSA provides beneficiaries when they request to start receiving their OASDI benefits.³⁶ Policy requires that SSA employees provide in-person and telephone applicants printed copies of their responses to the application questions for their review and correction.³⁷ However, the printed copy SSA provides the applicant does not include their responses to the earnings-test questions.³⁸ Therefore, applicants may not have an opportunity to review or correct the estimated earnings information SSA employees used to suspend or pay their benefits.³⁹

³⁴ SSA, *POMS*, RS 02510.005 (November 29, 2023) and RS 02510.015 (November 29, 2023). Beneficiaries should report their estimated earnings to SSA if they expect their earnings for the current year to exceed the annual limit. If the monthly earnings test applies, beneficiaries should also report months they expect to earn less than the monthly limit. Beneficiaries should report changes in expected earnings that would affect their payments. After the close of the earnings year, beneficiaries have the primary responsibility to provide SSA earnings information to ensure correct payment of their benefits. SSA accepts the beneficiary's report unless there is a reason to question its accuracy.

³⁵ SSA, *POMS*, DI 10505.005, C (May 2, 2019) describes SSA-approved sources of earnings information for disabled beneficiaries including wage verification companies and the National Directory of New Hires.

³⁶ SSA received more than 2.9 million retirement applications in FY 2021. We did not obtain application data for survivor or auxiliary beneficiaries subject to the earnings test.

³⁷ SSA, *POMS*, GN 00201.015, F (October 5, 2023).

³⁸ The approximately 1.6 million individuals who applied for retirement benefits online in FY 2021 had an opportunity to review and print their responses to the earnings-test questions. Some SSA offices recommend their employees type the applicants' responses to the earnings-test questions on the remarks portion of the application summary for in-person and telephone applicants. Employees may also manually record the estimated earnings and self-employment information on the reporting responsibilities sheet.

³⁹ SSA, *POMS*, GN 03001.005 (May 12, 2003) and GN 03001.015 (July 16, 2004) require that SSA notify beneficiaries if their estimated earnings will result in suspended benefits. However, we identified instances where the beneficiary did not receive notification of the estimated earnings used to suspend their benefits. In addition, SSA award notices do not print the beneficiary's estimated earnings if they estimated less than the exempt amount.

- Revising its systems to ensure the Agency requests monthly earnings information from beneficiaries eligible for the monthly earnings test.⁴⁰ SSA could not provide documentation it requested monthly earnings information from beneficiaries eligible for the monthly earnings test for 20 (40 percent) of the sampled overpayments.⁴¹ SSA's 2015 review recommended the Agency “. . . investigate the feasibility of implementing an automated solution; for example, an annual report of earnings or systems alert, to help identify and resolve instances where excess earnings exist but the [MBR] does not contain a record of non-service months for the year.” However, SSA stated it did not implement this recommendation because of resource limitations.
- Adding language to overpayment notices informing beneficiaries who are eligible for the monthly earnings test that their overpayment may be reduced or eliminated if they had monthly wages below the applicable limit. The overpayment notices we reviewed did not specifically advise beneficiaries their overpayment could be reduced or eliminated if they contacted SSA to report earnings below the monthly limit.⁴² The notices also did not advise the beneficiaries of the monthly earnings limit in the overpayment year.

Earnings Enforcement Limitations

For the 100 sampled beneficiaries with earnings discrepancies between the MBR and MEF, SSA did not accurately pay 18 approximately \$58,000. We estimate SSA inaccurately paid approximately \$29 million to 9,000 beneficiaries with estimated earnings on their MBRs that were more or less than their actual earnings recorded on the MEF. This primarily occurred because programming limitations prevented EEO from identifying certain underpayments. Additionally, SSA's processing systems could not fully automate some enforcement actions that EEO identified and should have resulted in overpayments. For the 18 sampled beneficiaries:

- EEO did not detect approximately \$27,000 in underpayments due to nine sampled beneficiaries because it did not identify underpayments when the beneficiary had no earnings on the MEF or the beneficiary's earnings were less than the exempt amount.⁴³ For example, SSA underpaid a beneficiary more than \$13,000 because their estimated earnings on the MBR exceeded the annual limits, but they had no 2019 earnings on the MEF. SSA policy states beneficiaries have the primary responsibility to report their earnings to collect earnings-test underpayments.⁴⁴ However, SSA identifies potential underpayments, and assesses overpayments, for beneficiaries whose earnings exceed the limit regardless of whether they submit an annual report. For example, EEO automatically identifies, and

⁴⁰ SSA sends mid-year mailers that request monthly earnings information from some beneficiaries. SSA does not send mid-year mailers to beneficiaries who do not have a current-year work estimate on their MBR, or do not meet SSA's other selection criteria. SSA, *POMS*, RS 02510.010 (March 20, 2006). SSA also requests monthly earnings information from beneficiaries potentially eligible for the monthly earnings test during the earnings enforcement process. SSA, *POMS*, RS 02510.030 (November 28, 2023).

⁴¹ SSA does not store all notices requesting earnings information.

⁴² OASDI overpayment notices include mandatory language about appeal rights if beneficiaries disagree with the fact or amount of the overpayment. 20 C.F.R. § 404.502a. SSA, *POMS*, NL 00703.417 (March 4, 1996) provides optional language employees can add to overpayment notices that involve the monthly earnings. The notices advise the beneficiary to contact SSA to correct their records. However, we did not identify such language in the overpayment notices we reviewed.

⁴³ SSA agreed it underpaid the sampled beneficiaries.

⁴⁴ 20 C.F.R. § 404.452(a); SSA, *POMS*, RS 02510.001, B (November 16, 2023).

SSA's systems release, underpayments if the beneficiary's earnings on the MEF exceed the limit and the estimated earnings on the MBR exceed the MEF earnings by \$2,000 or less. To prevent erroneous underpayments, SSA requires that employees review the beneficiaries' earnings before it releases an underpayment if the earnings estimate on the MBR exceeds the MEF earnings by more than \$2,000.⁴⁵

- SSA overpaid five beneficiaries approximately \$10,000 because employees did not take, or improperly took, manual actions to adjust benefits EEO selected but SSA's systems could not automatically process.⁴⁶ SSA systems generated alerts for employees to manually complete the enforcement actions, but SSA did not have adequate controls to ensure employees took necessary actions to resolve the alerts.⁴⁷ To improve the accuracy of its employees' alert processing actions, our 2020 review recommended SSA (1) implement quality reviews, (2) monitor alerts cleared without corrective actions, and (3) monitor and revise quality and training initiatives.⁴⁸ SSA implemented initiatives to address our recommendations, and we will give the Agency time for the initiatives to become fully effective before we determine whether SSA's actions adequately resolved our concerns. However, SSA can avoid inaccurate payments and administrative costs associated with processing the manual actions if it updates its systems to automatically process the enforcement actions to completion.
- SSA inaccurately paid four beneficiaries approximately \$21,000 because of miscellaneous systems limitations.⁴⁹ For example, EEO did not identify one sampled beneficiary who was overpaid approximately \$900 because it used incorrect payment information from the MBR.

Untimely Monthly Benefit Increases

SSA paid the correct amount to 96 out of 100 sampled beneficiaries who may have been due earnings-test-related monthly benefit increases effective at FRA. For the remaining four beneficiaries, SSA inaccurately calculated approximately \$3,100 in monthly benefit payments.⁵⁰ SSA paid two beneficiaries more than they were due and two less than they were due. Each inaccurate payment had a separate cause.⁵¹

⁴⁵ SSA, *POMS*, RS 02510.026, F.4 (May 20, 2013).

⁴⁶ Three of five alerts were still awaiting action from SSA employees in November 2023. SSA employees cleared the remaining alerts but took improper actions to resolve the earnings discrepancies on the MBR and MEF.

⁴⁷ SSA employees took improper action to clear an enforcement action for one sampled beneficiary without completing the required development. However, there was not sufficient evidence in the file to determine whether SSA correctly paid the beneficiary. SSA was still developing earnings information for three sampled beneficiaries, and we could not determine whether SSA had correctly paid the beneficiaries based on the available evidence.

⁴⁸ SSA, *OIG, Manual Actions on Old Age, Survivors and Disability Insurance Post-entitlement Alerts, A-07-18-50621*, p. 8 (March 2020).

⁴⁹ SSA overpaid approximately \$4,000 to three beneficiaries and underpaid approximately \$17,000 to one beneficiary.

⁵⁰ SSA correctly adjusted the reduction factors on one beneficiary's record, but the beneficiary did not receive the monthly benefit increase because of an error in the government pension offset computations.

⁵¹ We did not project the sample results because of the low error rate.

SSA did not timely pay 86 sampled beneficiaries approximately \$40,000 in earnings-test-related monthly benefit increases because of its outdated systems and unclear policies. SSA issued the first monthly benefit increase to the 86 beneficiaries an average 292 days after policy allowed the first increased payment.⁵² We estimate SSA did not pay approximately 176,000 beneficiaries \$81 million on the date policy first allowed the increased payment. One beneficiary who attained FRA in December 2019 did not receive their cumulative monthly benefit increase of approximately \$500 before their death in October 2020.⁵³

The primary cause of SSA's untimely release of earnings-test-related monthly benefit increases relates to SSA's outdated systems that did not issue increased benefits effective at FRA. SSA designed its systems to automatically compute monthly benefit increases related to earnings-test withholdings in August of the year after the beneficiary reaches FRA.⁵⁴ SSA designed this system in 1989 and has not made adjustments to reflect faster receipt of electronic wage information on the MEF, changes in requirements to file annual reports,⁵⁵ or increased earnings limits in the FRA year.⁵⁶

SSA's policies regarding when and how employees can grant earnings-test-related monthly benefit increases are not clear, which also likely contributed to SSA's untimely release of increased benefits due effective at FRA. Beneficiaries have the right to request monthly benefit increases before the automated increase.⁵⁷ However, SSA policy does not clearly explain the criteria that must be met for employees to grant the monthly benefit increase or what actions employees must take to release the increase. For example, SSA policy does not specify whether employees can grant a monthly benefit increase when the Agency does not have the beneficiary's complete earnings for all years subject to the earnings test.⁵⁸ SSA policy advises

⁵² SSA, *POMS*, RS 02510.015, B (November 29, 2023), RS 00615.480 (September 16, 2002), RS 00615.482 (December 7, 2023), and RS 02501.021, C (November 7, 2023).

⁵³ SSA released the benefits owed to a surviving family member in May 2021.

⁵⁴ SSA systems also release automatic monthly benefit increases if an event, such as an annual report or earnings enforcement action, triggers a benefit recomputation after FRA.

⁵⁵ SSA, *POMS*, RS 02510.001 (November 16, 2023). SSA amended its regulations in 1997 and no longer requires that beneficiaries file annual reports if the information in SSA records allows the Agency to correctly determine benefits payable.

⁵⁶ *The Senior Citizens' Freedom to Work Act of 2000*, Pub. L. No. 106-182, 114 Stat. 198, eliminated the earnings test in and after the month the beneficiary reaches FRA. For earnings in the FRA year but before the FRA month, beneficiaries are subject to higher earnings limits than those who will not attain FRA in the year.

⁵⁷ SSA notices and publications do not advise beneficiaries they can request their monthly benefit increase at FRA and some publications imply the increases will automatically occur at FRA. For example, SSA, *How Work Affects Your Benefits*, p.7 (January 2024) states, "If some of your retirement benefits are withheld because of your earnings, your monthly benefit will increase starting at your full retirement age." Data limitations prevented us from detecting instances where the beneficiary requested an earlier benefit increase, but SSA employees delayed the release of the payments.

⁵⁸ SSA, *POMS*, RS 02510.015, B (November 29, 2023). SSA considers an earnings year to be closed when it receives complete earnings information from an annual report, EEO action, or other sources. SSA advised us that employees can grant earnings-test-related monthly benefit increases for closed years at FRA. Employees can grant additional monthly benefit increases when SSA receives complete information for years subject to the earnings test.

employees they must take manual actions to release the monthly benefit increase but does not describe those manual actions.⁵⁹

Administrative Costs to Enforce the Earnings Test

In FY 2021, SSA spent approximately \$70 million in administrative costs to enforce the earnings test.⁶⁰ These costs included a variety of manual transactions SSA employees completed in FY 2021, including overpayment collection actions, to enforce the earnings test. However, the estimate is conservative as there were data limitations that prevented us and SSA from quantifying many employee actions. For example, SSA systems do not capture data necessary to quantify the time its employees spend explaining and answering earnings-test questions from the public. See Appendix C for more information on the administrative cost estimate.

SSA has opportunities to reduce its administrative costs to enforce the earnings test by excluding overpayments from the earnings enforcement process if the estimated cost to collect the overpayment exceeds the potential collection. SSA stated, in FY 2021, it cost approximately \$287 to collect an overpayment due the Retirement and Survivors Insurance Trust Fund. Based on this estimate, SSA will spend approximately \$8 million over multiple years to recover approximately 28,000 FY 2021 earnings-test overpayments valued less than SSA's average recovery cost.⁶¹ We did not conduct a full cost-benefit analysis of collecting low-dollar earnings-test overpayments. However, in a 2015 report, based on the results of a cost-benefit analysis, we recommended SSA “. . . re-evaluate its process for collecting overpayments where the value of the overpayment is less than what SSA spends to collect the overpayment to ensure it expends resources on activities that result in the greatest return on investment.”⁶²

Systems enhancements to improve the accuracy and timeliness of earnings-test payments may also reduce SSA's administrative costs to enforce the earnings test.⁶³ For example, SSA could save administrative expenses by allowing beneficiaries to submit earnings estimates and annual reports online for automated processing instead of requiring employees to process the earnings information.⁶⁴ SSA could also reduce administrative expenses by reducing the number of enforcement cases its systems cannot automatically process. In addition, our prior review

⁵⁹ SSA, POMS, RS 00615.480 (September 16, 2002), RS 00615.482 (December 7, 2023), and RS 02501.021, C (November 7, 2023).

⁶⁰ Congress sets SSA's administrative budget each year. Examples of administrative expenses include employee salaries, rent, and information technology resources. We did not independently verify all data SSA used to estimate administrative costs to enforce the earnings test.

⁶¹ We reviewed 1 segment of the MBR and identified 1,383 FY 2021 overpayments \$287 or less. We applied a straight-line ratio methodology to estimate all 20 segments of the MBR contained 27,660 records with overpayment amounts of \$287 or less. We multiplied the \$287 overpayment collection cost by 27,660 overpayments to estimate SSA spent \$7,938,420 to collect overpayments of \$287 or less in FY 2021.

⁶² SSA, OIG, *Cost-benefit Analysis of Processing Low-dollar Overpayments, A-07-14-14065*, p. 9 (July 2015). SSA agreed with the recommendation but determined it did not have sufficient data to determine the costs associated with collecting various types of overpayments.

⁶³ See Appendix C for more information on manual actions associated with enforcing the earnings test. We did not determine the cost-effectiveness of automating specific manual processes associated with enforcing the earnings test.

⁶⁴ SSA employees processed approximately 152,000 earnings estimates and annual reports in FY 2021. SSA already has processes in place for disabled beneficiaries to report their earnings online or through mobile devices.

recommended SSA increase its use of Robotic Process Automation, where cost beneficial, when processing manual workloads.⁶⁵

CONCLUSION

SSA must improve how it receives and processes earnings information to ensure it issues accurate and timely payments to beneficiaries subject to the earnings test. Until SSA takes action to fix these issues, it will continue amassing over- and underpayments and causing inefficient use of employee time spent taking manual actions and collecting overpayments.

RECOMMENDATIONS

To improve the accuracy and timeliness of its payments to beneficiaries subject to the earnings test, we recommend SSA:

1. Where cost-effective, expand existing initiatives to obtain earnings information electronically.
2. Automate printing applicants' responses to the earnings-test questions on the application summary SSA provides beneficiaries when they request to start receiving their OASDI benefits.
3. Revise systems to ensure the Agency requests monthly earnings information from beneficiaries eligible for the monthly earnings test before it assesses an overpayment.
4. Add language to overpayment notices informing beneficiaries who are eligible for the monthly earnings test their overpayment may be reduced or eliminated if they had monthly wages below the applicable limit.
5. Expand controls to detect potential underpayments based on discrepancies between the MBR and MEF.
6. Enhance its systems to automate additional enforcement actions.
7. Implement systems changes to automatically grant earnings-test-related monthly benefit increases at, or closer to, the date they are first allowed by policy.
8. Clarify policy to inform employees of criteria that must be met to grant earnings-test-related monthly benefit increases and what actions they must take to release payments to beneficiaries.

To reduce its administrative costs to enforce the earnings test, we recommend SSA:

9. Determine the costs associated with collecting earnings-test overpayments and re-evaluate the threshold established in policy and systems to exclude overpayments from the earnings enforcement process if the estimated cost to recover the resulting overpayment exceeds the potential collections.

⁶⁵ SSA, OIG, *Manual Processes for Resource-intensive Workloads*, A-07-19-50882, pp. 7 and 13 (July 2023). Robotic Process Automation involves using software to automate high-volume, labor-intensive, or repeatable tasks.

To correct the errors we identified in our sample reviews, we recommend SSA:

10. Correct the remaining error cases from the sample reviews.

AGENCY COMMENTS

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



Michelle L. Anderson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To determine whether the Social Security Administration (SSA) accurately and timely paid beneficiaries subject to the earnings test, we:

- Reviewed applicable sections of the *Social Security Act*, SSA's *Program Operations Manual System*, applicable laws, regulations, and technical guidance.
- Obtained information from subject-matter experts on SSA's earnings test policies, procedures, systems, and controls.
- Reviewed prior SSA, Government Accountability Office, and Office of the Inspector General reports with recommendations related to the earnings test and obtained information on the status of the recommendations from SSA.
- Obtained data on earnings-test overpayments established in Fiscal Year (FY) 2021 from one segment of the Master Beneficiary Record (MBR) and used straight-line estimation to estimate to all segments of the MBR.¹
- Obtained three populations of beneficiary records containing SSA actions used to enforce the earnings test.
 1. **Overpayments:** 14,679 earnings-test overpayments totaling \$52,381,321 established in FY 2021 on 1 segment of the MBR. We used this population to estimate approximately 300,000 earnings-test overpayments established on all 20 segments of the MBR in FY 2021.²
 2. **Earnings Enforcement:** 50,506 beneficiaries who had discrepancies between the Calendar Year (CY) 2019 earnings on their MBR and Master Earnings File (MEF)³ that could result in underpayments due to beneficiaries or overpayments more than \$100.⁴ We excluded from this population beneficiaries who attained full retirement age (FRA) in CY 2019 because SSA only counts earnings before FRA for the earnings test, but SSA records the entire year's earnings on the MEF. We used SSA's Earnings Enforcement Operation (EEO) computations to calculate earnings on the MEF but did not verify whether SSA's computations complied with the *Social Security Act*.⁵

¹ The MBR stores beneficiary claim data for every current and previously entitled Old-Age, Survivors, and Disability Insurance (OASDI) beneficiary. The MBR is organized into 20 segments based on the last 2 digits of the worker's Social Security number.

² We multiplied 14,679 earnings-test overpayments established in FY 2021 on 1 segment of the MBR by 20 segments to estimate SSA established 293,580 earnings-test overpayments on all segments of the MBR.

³ SSA uses MEF to store earnings information it receives from employers and the Internal Revenue Service.

⁴ The EEO excludes overpayments less than \$100 from the earnings enforcement process. SSA, *POMS*, RS 02510.026, C.2 (May 20, 2013).

⁵ Income that meets the definition of wages counts towards the earnings test unless excluded under the *Social Security Act* §§ 209 or 210. SSA, *POMS*, RS 02505.005, A (May 29, 2012).

3. **Monthly Benefit Increases:** 204,743 beneficiary records that were potentially due adjustment of their reduction factors when they attained FRA in FY 2020.⁶ The population contained unique claim account number and beneficiary identification code combinations. However, some beneficiary Social Security numbers occurred multiple times in the population.

We reviewed random samples from the three populations and determined the root cause of any inaccurate or untimely payments identified.

1. **Overpayments:** 50 overpayments. We requested and reviewed supporting documentation from SSA regarding monthly earnings information. If there was incomplete monthly earnings information in SSA records, we requested monthly earnings from the employer or self-employed beneficiary. We used available evidence of earnings, the MBR, and the Payment History Update System to compute overpayments for the earnings year. We identified inaccurate overpayment calculations by comparing our overpayment computations with SSA's overpayment computations. We did not include in our sample results inaccurate payment computations SSA corrected before our review.
2. **Earnings Enforcement:** 100 beneficiaries. SSA provided information on the EEO actions for each sampled beneficiary. For the beneficiaries SSA's Office of Analytics and Improvement selected for review, we obtained information on completed and pending actions. For beneficiaries where the Office of Analytics and Improvement's program calculated earnings differently than EEO, we accepted the Office of Analytics and Improvements' calculations. For all other beneficiaries, we calculated any over- or underpayments to beneficiaries based on earnings computations used by SSA's EEO, MBR, and Payment History Update System.⁷
3. **Monthly Benefit Increases:** 100 beneficiary records. For each sampled beneficiary, we determined whether SSA accurately computed the number of adjusted reduction factors and the beneficiary's payment amount. We also calculated the number of days between the date the first adjustment of the reduction factor payment was allowed under SSA policy and the date SSA issued the first payment. If SSA issued the first payment after the date first allowed by policy, we calculated the underpayments SSA issued with the first payment.

⁶ SSA grants adjustments of the reduction factors to surviving spouses effective at age 62 and at FRA. SSA, *POMS*, RS 00615.480 (September 16, 2002). However, we did not review cases to determine whether SSA correctly adjusted reduction factors to surviving spouses at age 62. We will refer to "adjustment of reduction factors" as "monthly benefit increases."

⁷ The Payment History Update System contains a historical record of OASDI payment related actions.

To determine the administrative costs to enforce the earnings test, we worked with staff in SSA's:

- Office of the Deputy Commissioner for Operations to identify types of manual transactions associated with enforcing the earnings test. SSA staff also estimated the time it took employees to complete each type of manual transaction.⁸
- Debt Recovery Analysis Branch, under the Office of Systems' Office of Benefit Information Systems, to obtain counts of manual earnings-test overpayment transactions completed in FY 2021.⁹
- Office of Financial Policy and Operations, under the Office of the Deputy Commissioner for Budget, Finance, and Management, to obtain estimates of the administrative cost to enforce the earnings test in FY 2021 using SSA's Cost Analysis System.¹⁰

We conducted our audit in Birmingham, Alabama, from May 2022 to August 2023. We assessed the reliability of the MBR and Master Earnings File data by (1) performing electronic testing; (2) checking for duplicates; and (3) tracing statistically random samples of data to source documents. We determined the data used in this report were sufficiently reliable given our audit objectives' intended use of the data.

We assessed the significance of internal controls necessary to satisfy the audit objectives. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communicating, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objectives. We identified the following components and principles as significant to our objective to determine whether SSA accurately and timely paid beneficiaries subject to the earnings test.

- Component 3: Control Activities
 - Principle 10: Design control activities
 - Principle 11: Design activities for the information system
 - Principle 12: Implement control activities
- Component 5: Monitoring
 - Principle 16: Perform monitoring activities
 - Principle 17: Remediate deficiencies

We determined internal controls were not significant to our objective to determine the administrative costs to enforce the earnings test.

⁸ We did not independently verify SSA's estimates regarding the time it takes employees to complete each type of manual transaction.

⁹ We did not independently verify the data supplied by SSA's Debt Recovery Analysis Branch.

¹⁰ SSA's Cost Analysis System provides administrative cost data needed to carry out SSA's cost accounting functions. We did not independently verify the Cost Analysis System calculations. See Appendix C for more information on the administrative cost estimate to enforce the earnings test.

The entities audited were SSA's Office of Public Service and Operations Support under the Office of the Deputy Commissioner for Operations and the Offices of Income Security Programs and Research, Evaluation, and Statistics under the Office of the Deputy Commissioner for Retirement and Disability Policy.

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

Appendix B – SAMPLING METHODOLOGY AND RESULTS

To determine whether the Social Security Administration (SSA) accurately and timely paid beneficiaries subject to the earnings test, we developed three populations of beneficiaries affected by: (1) overpayment calculations (2) earnings enforcement, and (3) monthly benefit increases effective at full retirement age (FRA).¹ We used a simple random sample statistical approach to review each of the four populations. This is a standard statistical approach used for creating a sample from a population completely at random. As a result, 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 population, absent human biases, and ensured statistically valid conclusions of, and projections to, the entire population under review. Our sampling approach for this review ensures that our reported projections are statistically sound and defensible.

Earnings Test Overpayments

We identified 14,679 earnings-test overpayments established in Fiscal Year (FY) 2021 on 1 segment of the Master Beneficiary Record (MBR). We randomly selected a sample of 50 overpayments for review.

Table B–1: Overpayment Population and Sample Size

Description	Number of Overpayments
Population	14,679
Sample Size	50

Of the 50 overpayments in our sample, SSA inaccurately calculated 8 (16 percent) by \$25,213. These findings are conservative because SSA inaccurately calculated another sampled overpayment, but we could not determine the correct overpayment amount. Projecting our sample results to the population of 14,679, SSA inaccurately paid approximately \$7.4 million to 2,300 beneficiaries on 1 segment of the MBR.

¹ SSA reduces monthly benefits by a certain percentage for each month the beneficiary receives benefits before their FRA. SSA provides the beneficiary a credit for each month SSA withheld benefits due to their earnings and increases the monthly benefit amount effective with the beneficiary's FRA. For simplification purposes, we will refer to this adjustment of reduction factors as "monthly benefit increases."

Table B–2: Inaccurate Overpayment Calculations in One Segment of the MBR

Description	Number of Inaccurate Overpayment Calculations	Inaccurate Calculations
Sample Results	8	\$25,213
Point Estimate	2,349	\$7,401,974
Projection-Lower Limit	1,208	\$1,436,313
Projection Upper Limit	3,963	\$13,367,634
Note: All statistical projections are at the 90-percent confidence level.		

Projecting our sample results to the population of 293,580, SSA inaccurately calculated approximately 47,000 FY 2021 overpayments by more than \$148 million.

Table B–3: Straight-line Estimation of Inaccurate Payments in the Overpayment Population in All Segments of the MBR

Number of Inaccurate Calculations in One Segment of the MBR	Estimated Number of Inaccurate Calculations in All Segments of the MBR	Inaccurate Calculations in One Segment of the MBR	Estimated Inaccurate Calculations in All Segments of the MBR
2,349	46,980	\$7,401,974	\$148,039,480

Earnings Enforcement

We identified 50,506 beneficiaries who had discrepancies between their Calendar Year 2019 earnings on their MBR and Master Earnings Files (MEF)² that would potentially result in underpayments due to beneficiaries or overpayments more than \$100.³ We excluded beneficiaries who attained FRA in 2019 from the population.⁴ We randomly selected a sample of 100 beneficiaries for review.

² The MEF is the database SSA uses to store earnings information it receives from employers and the Internal Revenue Service.

³ SSA's Earnings Enforcement Operation (EEO) excludes overpayments less than \$100 from the earnings enforcement process. SSA, *POMS*, RS 02510.026, C.2 (May 20, 2013).

⁴ SSA only counts earnings before FRA for the earnings test on the MBR, but SSA records the entire year's earnings on the MEF. Therefore, discrepancies between the MBR and MEF may not be material for beneficiaries who attain FRA in 2019.

Table B–4: Earnings Enforcement Population and Sample Size

Description	Beneficiaries
Population	50,506
Sample Size	100

Of the 100 beneficiaries in our sample, SSA inaccurately paid 18 beneficiaries \$58,257 based on their 2019 earnings on the MEF. Projecting our sample results to the population of 50,506, SSA inaccurately paid approximately \$29 million to 9,000 beneficiaries.

Table B–5: Inaccurate Payments in the Earnings Enforcement Population

Description	Number of Beneficiaries with Inaccurate Payments	Inaccurate Payments
Sample Results	18	\$58,257
Point Estimate	9,091	\$29,423,280
Projection-Lower Limit	6,048	\$10,346,016
Projection Upper Limit	12,882	\$48,500,545

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

Monthly Benefit Increases

We identified 204,743 unique claim account number and beneficiary identification code combinations with indicators that the beneficiary was potentially due a monthly benefit increase effective at FRA in FY 2020.⁵ We selected a random sample of 100 beneficiaries for review.

Table B–6: Monthly Benefit Increase Population and Sample Size

Description	Beneficiaries
Population	204,743
Sample Size	100

⁵ Some beneficiary Social Security numbers appeared multiple times in the population because beneficiaries were eligible for monthly benefit increases on multiple accounts. We refer to the combined claim account numbers and beneficiary identification codes in this population as “beneficiaries.”

Of the 100 sampled beneficiaries, SSA paid the correct monthly benefit amount to 96. SSA inaccurately calculated \$3,109 in monthly benefit payments to the remaining four beneficiaries.⁶ We did not project the sample results because of the low error rate.

Of the 100 sampled beneficiaries, SSA did not timely pay \$39,596 to 86. Based on our results, SSA did not timely pay approximately \$81 million to approximately 176,000 beneficiaries.

Table B-7: Untimely Monthly Benefit Increases

Description	Number of Beneficiary Records	Untimely Benefits
Sample Results	86	\$39,596
Point Estimate	176,079	\$81,069,424
Projection-Lower Limit	161,715	\$61,339,569
Projection Upper Limit	186,996	\$100,799,280
Note: All statistical projections are at the 90-percent confidence level.		

⁶ SSA correctly adjusted the reduction factors on one beneficiary's record, but the beneficiary did not receive the resulting underpayment because of an error in the government pension offset computations.

Appendix C – ESTIMATED ADMINISTRATIVE COSTS TO ENFORCE THE EARNINGS TEST

We performed the following steps to estimate SSA spent approximately \$70 million in administrative costs to enforce the earnings test in Fiscal Year (FY) 2021:

- Worked with staff in the Social Security Administration's (SSA) Office of the Deputy Commissioner for Operations to identify types of manual transactions associated with enforcing the earnings test.
- Obtained an estimate of the time it takes SSA employees to complete each type of manual transaction from staff in the Office of the Deputy Commissioner for Operations.¹
- Obtained available data counts for manual transactions completed in FY 2021 internally.
- Worked with staff in the Debt Recovery Analysis Branch, under the Office of Systems' Office of Benefit Information Systems, to obtain counts of manual earnings-test overpayment transactions completed in FY 2021.²
- Worked with staff in SSA's Office of Financial Policy and Operations, under the Office of the Deputy Commissioner for Budget, Finance, and Management, to estimate administrative costs associated with processing manual earnings test transactions completed in FY 2021.³

The following list describes the manual transactions for earnings test workloads for which we were able to estimate administrative costs:

- Explaining the earnings test while processing benefit applications,
- Processing earnings estimates submitted by beneficiaries,
- Processing annual reports of earnings submitted by beneficiaries,
- Adjusting benefits the Earnings Enforcement Operation could not automatically process,
- Excluding special wage payments from earnings,⁴
- Enforcing the foreign work test,
- Adjusting the reduction factors,⁵

¹ We did not independently verify SSA's estimates regarding the time it takes employees to complete each type of manual transaction.

² We did not independently verify the data supplied by SSA's Debt Recovery Analysis Branch.

³ SSA's Office of Financial Policy and Operations staff based their administrative cost estimate on SSA's Cost Analysis System. The Cost Analysis System is SSA's administrative cost accounting system that determines the amount of reimbursement the Agency receives from each trust or general fund for which it provides administrative support. We did not independently verify the Cost Analysis System calculations.

⁴ Special wage payments include income received for accumulated sick or vacation pay, bonuses or other reasons after the employee stopped working. SSA excludes certain special wage payments for earnings test purposes. SSA, POMS, RS 02505.025 (August 30, 2012).

⁵ SSA increases beneficiaries' monthly payments to give them credit for months the Agency deducted full or partial payments because of their excess earnings. SSA, POMS, RS 00615.482 (December 7, 2023).

- Processing earnings-test-related withdrawals with the initial application, and
- Processing overpayment transactions:
 - Requests for SSA to explain the overpayment to beneficiaries,
 - Requests for SSA to waive recovery of the overpayment,
 - Requests for SSA to reconsider the fact or amount of the overpayment,
 - Requests for a personal conference with an SSA employee, and
 - Remittances.

We were unable to capture all manual transactions for certain earnings test workloads because of data limitations. The following list describes manual transactions for earnings test workloads for which we were able to partially estimate administrative costs:

- Adjusting rates to other beneficiaries, and
- Processing overpayment transactions that include:
 - Establishment of overpayments on SSA records,
 - Adjustments of overpayment amounts,
 - Requests for hearings before an administrative law judge, and
 - Requests for partial recovery of the overpayment from monthly benefits.

We were unable to quantify any manual transactions for some earnings test workloads because of data limitations. The following list describes manual transactions for earnings test workloads for which we were unable to estimate administrative costs:

- Explaining the earnings test to callers or visitors outside of the initial application process,
- Conducting appointments to file for benefits where the individual decided not to complete the application because of their earnings,
- Processing benefit applications later withdrawn by beneficiaries due to the earnings test,⁶
- Changing a beneficiary's month of entitlement based on their earnings,⁷ and
- Recovering overpayments from a deceased beneficiary's estate.

⁶ We were able to identify applications withdrawn because the beneficiary continued to work if SSA processed the withdrawal simultaneously with the benefit application.

⁷ The month of entitlement is the month the beneficiary chooses to begin their benefits based on their earnings. SSA, POMS, GN 00204.040, B (August 1, 2023).

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: January 19, 2024

Refer To: TQA-1

To: Gail S. Ennis
Inspector General

From: Scott Frey 
Chief of Staff

Subject: Office of the Inspector General Draft Report “The Social Security Administration’s Enforcement of the Earnings Test” (A-08-21-51049) — INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations.

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



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