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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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Dear Mr. Scott:

Your letter of June 11, 1971, requested that we examine into statements made by a constituent in two letters to you concerning possible improper payments of benefits by the Social Security Administration (SSA), Department of Health, Education, and Welfare.

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Essentially, your constituent stated that retirement benefits were being paid to certain persons before they retire and his analysis of the situation indicated (1) a loosely drawn law or a misrepresentation of the law by SSA, (2) errors by Social Security personnel, (3) an error in computer programming, or (4) a combination of the three. He also questioned the adequacy of SSA controls to detect falsified reports of annual earnings by beneficiaries after they retire.

Your constituent's inquiry was prompted by his receipt in February 1971 of a check in the amount of \$1,023.20 for social security benefits for the months January through April 1970, although he had worked through April 1970 and his earnings of \$16,666.70 for this period exceeded the maximum amount permitted by law in order to qualify for social security benefits.

SOCIAL SECURITY LAW  
CONCERNING ANNUAL EARNINGS

BEST DOCUMENT AVAILABLE

The law on social security benefits provides for the payment of full monthly retirement benefits to beneficiaries having annual earnings of \$1,680 or less and for a reduction in the benefits when their earnings exceed this amount. The law provides also that, regardless of total annual earnings, benefits will not be withheld for any month in which the beneficiary did not earn more than \$140 in wages or self-employment income.

To enable SSA to adjust benefits in accordance with the law, beneficiaries who earn more than \$1,680 are required to report their earnings to SSA on or before the 15th day of the 4th month (generally April 15) following the end of their taxable year.

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YOUR CONSTITUENT'S CASE

SSA's files show that your constituent

- applied for retirement insurance benefits in January 1970 so that his wife would be eligible for Medicare benefits, even though he was continuing to work;
- elected to have his application retroactive to March 1969 (which was the month that his wife became 65 years of age); and
- continued to work until April 1970 and, because his earnings exceeded the maximum amount allowed by law, was not entitled to benefits during that period.

In reporting his 1970 earnings to SSA in January 1971, however, your constituent apparently inadvertently omitted one digit in the amount of his annual earnings; instead of reporting \$16,666.70, he reported \$16,66.70. Because the law on social security benefits provides that benefits can be paid for all months of the year when annual earnings do not exceed \$1,680, SSA concluded that he was eligible for benefits for the months January through April, in addition to the benefits he began receiving in May 1970, after he stopped working.

He was not, however, entitled to the social security benefits of \$1,023.20 because (1) his 1970 annual earnings of \$16,666.70 exceeded the maximum amount permitted by law and (2) he earned more than \$140 in each of the months January through April 1970. Therefore he returned the check to SSA in June 1971.

SSA'S CONTROLS TO DETECT  
ERRONEOUS EARNINGS REPORTS

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To detect erroneous reports of annual earnings by beneficiaries and errors made by SSA in recording the earnings, SSA--through computer techniques--compares the beneficiaries' earnings recorded by SSA with those reported to the Internal Revenue Service by the beneficiaries' employers. All differences are reviewed and corrective action is taken if necessary. An SSA representative advised us that the comparison is made annually for earnings of the previous calendar year. The comparison of 1970 earnings has not yet been completed. According to the SSA representative, the error in your constituent's case should ordinarily be detected in the comparison

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and, if the check had not been returned, SSA would take action in accordance with the law to recover the incorrectly paid benefits.

When the comparison for 1970 earnings is completed, we will examine the results to determine if the error in your constituent's case was detected. We will consider any indicated weakness in the SSA controls in our continuing reviews of SSA activities.

We trust the above information will serve the purpose of your request.

Sincerely yours,



Deputy Comptroller General  
of the United States

The Honorable William L. Scott  
House of Representatives

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