
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SUITABILITY OF INDIVIDUALS
ACTING AS
REPRESENTATIVE PAYEES**

October 2003 A-02-03-13032

AUDIT REPORT



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- **Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- **Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
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SOCIAL SECURITY

MEMORANDUM

Date: October 6, 2003

Refer To:

To: The Commissioner

From: Inspector General

Subject: Suitability of Individuals Acting as Representative Payees (A-02-03-13032)

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to identify and prevent individuals who had representative payees¹ from serving as payees for other beneficiaries.

BACKGROUND

Congress granted SSA the authority to appoint Rep Payees to receive and manage beneficiaries' payments if the beneficiaries² cannot manage or direct the management of their benefits because of their youth or mental and/or physical impairments.³ Payees can be appointed for Old-Age, Survivors and Disability Insurance (OASDI) or Supplemental Security Income (SSI) beneficiaries and may be individuals or organizations.⁴

About 7.6 million individuals have Rep Payees—approximately 4.5 million are OASDI beneficiaries, 2.3 million are SSI recipients, and 800,000 are entitled to both OASDI benefits and SSI payments. The following chart reflects the types of Payees and the number of individuals they serve.⁵

¹ In this report, both "Rep Payee" and "Payee" are used in lieu of Representative Payee.

² Throughout this report, the term "beneficiary" is used to collectively refer to OASDI beneficiaries and SSI recipients.

³ Sections 205(j)(1) and 1631(a)(2)(A)(ii) of the Social Security Act, as amended [42 U.S.C. §§ 405(j)(1) and 1383(a)(2)(A)(ii)].

⁴ Id.

⁵ Master Representative Payee File as of January 2003.

Type of Payee	Number of Payees	Number of Individuals Served
Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others	5,333,200	6,685,100
Organizational Payees: State Institutions, Local Governments and Others	41,500	807,400
Organizational Payees: Fee-for-Service	900	104,200
TOTAL	5,375,600	7,596,700

A Payee's duties⁶ include

- using benefits to meet the beneficiary's current and foreseeable needs;
- conserving and investing benefits not needed to meet the beneficiary's current needs;
- maintaining account records;
- reporting events to SSA that may affect the beneficiary's entitlement or benefit payment amount;
- reporting any changes in circumstances that would affect their performance as a Rep Payee; and
- providing SSA an annual Rep Payee report accounting for how benefits were spent and invested.

Additionally, Congress requires that SSA provide for specific identification of all Payees and the beneficiaries they serve.⁷ The Representative Payee System (RPS) was created in 1992 to provide a nation-wide database of Payee information. The on-line portion of RPS consists of 152 unique screens through which users can input Rep Payee applications, change data for existing Payees, and change Payee relationships. RPS was intended to provide field office personnel with immediate access to vital information about Payees to assist employees in making good Rep Payee decisions and prevent fraud. All Payee applications are stored in the Master Representative Payee File (MRPF), which is an integral part of RPS.

We have previously reported⁸ that beneficiaries who had Payees themselves were serving as Rep Payees, despite SSA's policy prohibiting this practice.⁹ In response to our report, effective November 17, 2001, SSA changed RPS to generate an alert during

⁶ 20 C.F.R. §§404.2035 and 416.635; Program Operations Manual System (POMS), section GN 00502.113C.

⁷ Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, § 5105(b) (codified at section 205(j)(3) of the Social Security Act, as amended [42 U.S.C. §§ 405(j)(3)]).

⁸ Office of the Inspector General Early Alert, *Representative Payees Who Have Representative Payees*, March 2, 2001.

⁹ POMS, section GN 00502.130B.

the Rep Payee application process and an adjudicative edit during the selection process when an applicant is a beneficiary with a Payee or the applicant is trying to become a Payee for a beneficiary serving as a Payee. These changes were designed to prevent the completion of such a Rep Payee appointment. Additionally, SSA initiated a review of over 4,600 potential instances of beneficiaries with Payees who were also serving as Rep Payees. This work was performed in two phases—in September 2001 and June 2002. Phase I started on September 24, 2001 and identified 3,809 cases. Phase II started on June 24, 2002 and identified 835 cases.

SCOPE AND METHODOLOGY

We obtained data extracts from SSA's Master Beneficiary Record (MBR) of 48 million OASDI beneficiaries receiving payments as of August 2002 and SSA's Supplemental Security Record (SSR) of 8.35 million SSI recipients receiving payments as of March 2003. We then matched the Social Security numbers from these two extracts against SSA's MRPF to identify individuals who had Rep Payees and who were Payees for other individuals at the same time. As of September 2002, the MRPF contained 5.45 million active or pending Payees.

The match between our MBR and SSR data extracts and the MRPF, as well as our subsequent analysis of these data files, identified 7,025 and 5,652 potential cases, respectively, of individuals who had Payees and were Payees for other beneficiaries at the same time. See Appendix B for details of our sampling methodology and results.

To test the controls over the Rep Payee application process, we duplicated the application process in the training mode of RPS. We attempted to complete Payee applications for individuals who were unsuitable to serve as Payees to determine whether the system had edits in place to prevent such transactions.

We determined the computer processed data from the MBR, SSR, RPS, and MRPF to be sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

We conducted our audit at our New York office and SSA Headquarters in Baltimore, Maryland, between February and May 2003. The entities audited were the Office of Disability and Supplemental Security Income Systems under the Deputy Commissioner for Systems and SSA's field offices under the Deputy Commissioner for Operations. Our audit was performed in accordance with generally accepted government auditing standards.

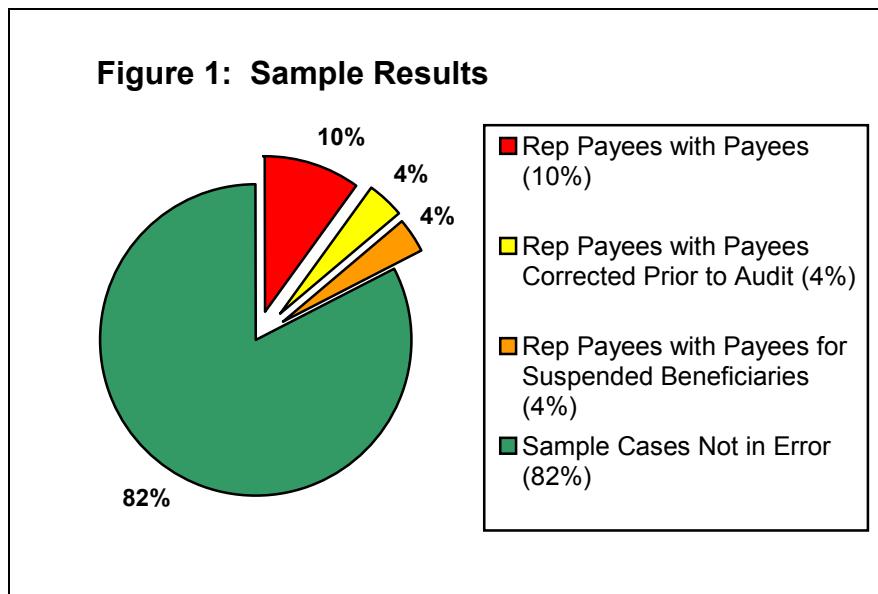
RESULTS OF REVIEW

Our tests of the controls over the Rep Payee application process concluded that SSA did not prevent the completion of all unsuitable Rep Payee applications. SSA's policies state that someone who has a Rep Payee should not be a Payee. Simply, it is unreasonable to allow a beneficiary determined to be incapable of managing his or her own funds to be a Rep Payee responsible for managing another beneficiary's funds. However, based on our review of 200 sample cases, we estimate that approximately 1,730 individuals had Rep Payees and were Payees for other beneficiaries at the same time. Further, if these Rep Payees are not changed, we estimate they will manage \$7.6 million in OASDI or SSI payments over the next 12 months.

REPRESENTATIVE PAYEES WHO HAD PAYEES

From a statistical sample of 200 cases, we identified 28 individuals with Rep Payees who were Payees for other beneficiaries at the same time. Of these 28 cases, 20 continued to have Rep Payees while acting as Payees for others at the time of our review. The remaining eight cases were in error for a period of time but had been corrected by

June 2003. On average, the 28 individuals in our sample with Rep Payees had served as Payees for other beneficiaries for 46 months (as of May 2003).



Our review also disclosed seven cases of individuals with Rep Payees who were also Payees for other beneficiaries, but those beneficiaries' payments had been suspended at the time of our audit. If the beneficiaries' payments resume and the current Rep Payees continue to serve, these seven beneficiaries will have Payees who, at the same time, have Payees themselves. These seven cases were not identified in SSA's nation-wide review of Rep Payees.

Four cases within our sample were part of SSA's nation-wide review. All four cases were reviewed in both Phases I and II. In one case, SSA determined that no Payee change was required even though we determined the case was in error. In the remaining three cases, SSA determined a change in Rep Payee was needed; however, no Payee changes had been made by the time of our review.

REPRESENTATIVE PAYEE SYSTEM ENHANCEMENTS

As part of its November 2001 RPS maintenance release, SSA changed RPS to generate an alert during the Rep Payee application process and an adjudicative edit during the selection process when an applicant is a beneficiary with a Payee or the applicant is trying to become a Payee for a beneficiary serving as a Payee. We duplicated the application process in the training mode of RPS and found that alerts were generated for cases involving beneficiaries with Rep Payees applying to become Payees. In our tests, alerts stating, "APPLICANT IS A BENEFICIARY WITH A REP PAYEE-CAN NOT SELECT" were generated when the applications were taken, and RPS did not allow for their completion.

We also concluded RPS prevented the completion of the application process for individuals attempting to become Payees for beneficiaries serving as Payees. In these cases, alerts were generated stating, "BENEFICIARY IS PAYEE FOR ANOTHER BENEFICIARY-CAN NOT SELECT" when the applications were taken.

Our review disclosed one OASDI case and one SSI case where the applicants had Rep Payees and were selected as Payees after the date of the system enhancement. We consulted SSA staff to determine why this occurred.

- In the OASDI case, RPS did not recognize the beneficiary had a Rep Payee. The Rep Payee's application was completed outside of RPS, so the system did not contain any information indicating a Payee had been established. Therefore, when the beneficiary applied to become a Payee, RPS did not realize the applicant had a Payee, and an alert was not generated.
- In the SSI case, the recipient had a Rep Payee and applied to become a Payee for another recipient in March 2000. The Rep Payee was selected and was placed in the system as "Ready to Process." However, the other recipient did not begin to receive benefits until March 2002, after the date of the system enhancement. According to SSA staff, since the Payee application was completed and "Ready to Process" before the system enhancement date, an alert was not generated when the other recipient began receiving benefits. While SSA staff believes this scenario allowed the case to be processed, our review found a different date of selection for the Payee. According to our review of the SSR and RPS, the recipient with a Payee became a Payee for the other recipient in March 2002, after the date of the RPS enhancements.

CONCLUSIONS AND RECOMMENDATIONS

While SSA attempted to identify and correct all cases of beneficiaries with Rep Payees who serve as Payees, we found that SSA's initiative did not identify all such cases. Additionally, we confirmed that SSA instituted new system enhancements to prevent future beneficiaries with Payees from becoming Payees. While we observed within the training module that new controls were in place, we identified two cases where beneficiaries with Rep Payees became Payees after the date of the system enhancement.

We recommend that SSA:

1. Review the selection criteria used to identify cases of beneficiaries who have Rep Payees and are Payees for other beneficiaries to determine why all such cases were not identified in the two phases of its previous initiatives.
2. Identify and correct all current cases of beneficiaries with Rep Payees who serve as Payees.
3. Conduct periodic reviews to identify and correct any instances where beneficiaries who have Rep Payees are Payees for other beneficiaries and determine whether any additional actions are required to prevent future cases from being processed.

AGENCY COMMENTS

SSA agreed with all of our recommendations and has already taken action to implement our first two recommendations. For the third recommendation, SSA plans to conduct the next periodic review to identify and correct any beneficiaries who have Rep Payees and are Payees in August 2004. We commend SSA for its quick response to our recommendations. See Appendix C for the text of SSA's comments.



James G. Huse, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Sampling Methodology and Results

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

MBR	Master Beneficiary Record
MRPF	Master Representative Payee File
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Rep Payee	Representative Payee
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record

Sampling Methodology and Results

To complete our objective, we obtained from the Social Security Administration's (SSA) Master Beneficiary Record (MBR) a data extract of 48 million Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries receiving payments as of August 2002 and, from the Supplemental Security Record (SSR), 8.35 million Supplemental Security Income (SSI) recipients receiving payments as of March 2003.

We matched the Social Security numbers (SSN) from these two extracts against SSA's Master Representative Payee File (MRPF) to identify individuals who had representative payees (Rep Payee) and were Rep Payees for other individuals. Our MRPF extract contained 5.45 million active or pending Rep Payees, as of September 2002. Matching the MBR and SSR to the MRPF, we identified 7,025 potential OASDI and 5,652 potential SSI cases where individuals who had Rep Payees were serving as Payees for other beneficiaries at the same time. We selected random samples from each group of potential cases for detailed review and performed the following analyses.

- Selected a random sample of 100 OASDI beneficiaries and 100 SSI recipients from the cases that had the potential of meeting our criteria of having Rep Payees and serving as Rep Payees for other beneficiaries at the same time.
- Obtained queries from the MBR, SSR, and MRPF for our 200 sample cases.
- Compared the MBR and SSR queries to the MRPF queries to determine whether the sample cases met our criteria.¹
- For those cases that met our criteria, determined the period of time the Rep Payee had a Payee, whether the condition continued at the time of our audit and the amount of benefits the Rep Payee managed in January 2003.
- Compared cases that met our criteria to the listing of cases in Phases I and II of SSA's Nation-wide review of beneficiaries who had Rep Payees and were Payees for other individuals receiving either OASDI and/or SSI benefit payments at the same time. Based on this comparison, determined whether any of our sample cases were reviewed by SSA and what, if any, actions were taken to correct each case.
- Determined whether any Payees were appointed after the enhancements to the Representative Payee System (RPS) were established in November 17, 2001 that prevented individuals with Rep Payees from being selected as Payees for other individuals. If such cases occurred, consulted with SSA staff to determine how the RPS controls were avoided.

¹ Our review of the MRPF indicated numerous instances of inaccurate data consisting mainly of the use of the beneficiary's SSN instead of the Rep Payee's SSN. We also found cases where MRPF records were not updated to reflect the current Rep Payee's SSN.

- In the training mode, input information for several of our Rep Payee cases to test the newly implemented controls within RPS to prevent the beneficiary with a Payee from becoming a Payee.

Sample Results, Projections and Estimates			
	OASDI	SSI	Total
Population size	7,025	5,652	12,677
Sample size	100	100	200
Sampled cases where beneficiaries with Payees also served as Rep Payees for others	11	17	28
Projection of cases (point estimate)	773	961	1,734
Projection lower limit	443	631	
Projection upper limit	1,230	1,376	
January 2003 payment amount for the 8 OASDI and 12 SSI sample cases where beneficiaries with Payees also served as Rep Payees for others at the time of our review	\$ 3,943	\$ 6,350	\$10,293
Projection of January 2003 payment amount (point estimate)	\$ 276,975	\$ 358,891	\$635,866
Projection lower limit	\$ 99,505	\$192,099	
Projection upper limit	\$ 454,444	\$ 525,683	
Estimate of the amount of payments Rep Payees who had Payees will manage over the following 12 months if the Payees are not changed (point estimate X 12 months)	\$3,323,700	\$4,306,692	\$7,630,392

Note: All projections were calculated at the 90-percent confidence level.

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

35-24-1029

Date: September 24, 2003 **Refer To:** S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Suitability of Individuals Acting as Representative Payees" (A-02-03-13032)--INFORMATION

We appreciate the OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let us know if we can be of further assistance. Staff questions can be referred to Trudy Williams at extension 50380.

Attachment:
SSA Response

S1J-3:TWilliams 9/11/03
22002075DI

**COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE
OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “SUITABILITY
OF INDIVIDUALS ACTING AS REPRESENTATIVE PAYEES” (A-02-03-13032)**

Thank you for the opportunity to review and comment on the subject draft report.

OIG's objective for this audit was to determine whether SSA has adequate controls to identify and prevent individuals who had representative payees (Rep Payees) from serving as payees for other beneficiaries.

Agency policy is that an individual, who we have determined is incapable of managing or directing the management of their own monthly payments, cannot serve as a payee for someone else. As a direct result of a prior OIG report, "Information System Control of SSA's Representative Payee System" (A-44-01-31051), the Agency implemented an edit to the Representative Payee System (RPS) that prevents this from happening. We also identified existing cases where individuals who had Rep Payees were serving as Rep Payees for other beneficiaries and took corrective action. As a result of continuing discussions with OIG, we modified the selection criteria for these cases and identified additional cases for review. Our response to the specific recommendations is provided below.

Recommendation 1

SSA should review the selection criteria used to identify cases of beneficiaries who have Rep Payees and are Payees for other beneficiaries to determine why all such cases were not identified in the two phases of its previous initiatives.

SSA Comment

We agree and have already taken action to do this. Revised software was used to identify over 1,500 suspect cases and the cases have recently been released to the field for review and corrective action.

Recommendation 2

SSA should identify and correct all current cases of beneficiaries with Rep Payees who serve as Payees.

SSA Comment

We agree and action has been taken to identify the suspect cases and post them to an intranet site for control. We have also reissued processing instructions to appropriate operating components. SSA's Office of Systems has identified 1,559 cases for review. All work should be completed by November 28, 2003.

Recommendation 3

SSA should conduct periodic reviews to identify and correct any instances where beneficiaries who have Rep Payees are Payees for other beneficiaries and determine whether any additional actions are required to prevent future cases from being processed.

SSA Comment

We agree and plan to conduct the next review in August 2004.

[SSA provided additional comments which have been addressed in this report.]

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

Rona Rustigian, Director, (617) 565-1819

Timothy Nee, Deputy Director, (212) 264-5295

Staff Acknowledgments

In addition to those named above:

Stephen Liebman, Senior Auditor

Denise Ramirez, Program Analyst

Kevin Joyce, Computer Specialist

Charles Zaepfel, Computer Specialist

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Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.