
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**BENEFICIARIES IN SUSPENDED
PAYMENT STATUS PENDING
THE SELECTION OF A
REPRESENTATIVE PAYEE**

May 2006 A-09-05-25020

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- **Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- **Promote economy, effectiveness, and efficiency within the agency.**
- **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.**
- **Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- **Independence to determine what reviews to perform.**
- **Access to all information necessary for the reviews.**
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Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: May 18, 2006

Refer To:

To: The Commissioner

From: Inspector General

Subject: Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee (A-09-05-25020)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure payments to beneficiaries¹ were not improperly suspended pending the selection of a representative payee.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. SSA appoints representative payees to receive and manage these beneficiaries' benefit payments. Generally, benefits should not be suspended when a beneficiary requires a representative payee and none is immediately available. Instead, SSA must initiate a search for a suitable representative payee and make direct payment to the beneficiary on an interim basis.² However, benefits must be suspended in those situations where direct payment is prohibited. SSA must suspend benefits to legally incompetent adults or beneficiaries under age 15. In addition, SSA may suspend benefit payments if the representative payee dies, no longer wants to be the representative payee, is no longer qualified to be a representative payee, or is a fugitive felon.³

¹ We use the term "beneficiary" generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

² SSA Program Circular GS 04-01-OPB.

³ SSA, POMS, SM 03020.150.

Benefits can be suspended for a maximum of 1 month while SSA is searching for a suitable representative payee if direct payment to the incapable beneficiary would cause "substantial harm."⁴ The 1-month restriction does not apply to legally incompetent adults or beneficiaries under age 15. For these cases, SSA policy states the selection of a representative payee should be resolved as quickly as possible.

To ensure a representative payee is appointed, alerts are generated to the field office for beneficiaries who have been in suspense for 1 month. When the alert is generated, field offices should initiate direct payment to the beneficiary unless it is precluded by law.⁵ Alerts are generated to field offices each month until benefits are reinstated.

RESULTS OF REVIEW

SSA needs to improve its controls to ensure benefit payments are (1) suspended only in situations that are allowed by agency policies and (2) reinstated in a timely manner. Specifically, SSA field office staff did not always determine whether direct payment was appropriate and reinstate benefits as required.

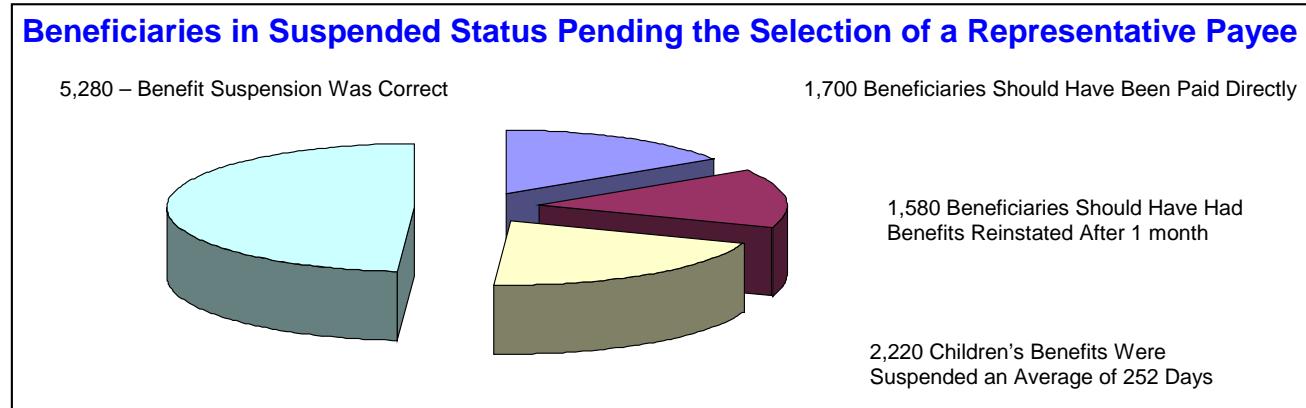
As of September 2004, we estimate there were approximately 10,780 beneficiaries in suspended status pending the selection of a representative payee (see Appendix C). Based on a review of 539 of these beneficiaries, we estimate that approximately

- \$4.6 million in benefits was improperly suspended and should have been paid directly to about 1,700 beneficiaries;
- \$5.2 million in benefits payable to about 1,580 beneficiaries was not reinstated, as required, after 1 month; and
- \$5.7 million in benefits was withheld from about 2,220 children under age 15 for an average of 252 days.

In addition, SSA could not locate 11 of the 539 beneficiaries who remained in suspended status pending the selection of a representative payee.

⁴ "Substantial harm" means that direct receipt of funds by the beneficiary would cause physical or mental injury to the beneficiary. SSA, POMS, GN 00504.105.

⁵ SSA, POMS, GN 00504.110.



Benefit Payments Were Improperly Suspended

Of the 539 beneficiaries whose benefit payments were suspended pending the selection of a representative payee, SSA should not have suspended benefits in 85 cases. According to SSA policy, these 85 beneficiaries should have been paid directly while SSA searched for a new representative payee. These beneficiaries were neither legally incompetent nor under age 15. Furthermore, SSA had not determined that paying these beneficiaries directly would cause them substantial harm. On average, their benefits were suspended 162 days. As a result, these beneficiaries did not receive \$232,376 of their monthly benefit payments when they were payable. Based on these results, we estimate SSA improperly suspended approximately \$4,647,520 in benefit payments to about 1,700 beneficiaries. Four of these beneficiaries were still in suspended status pending the selection of a representative payee at the end of our review.⁶

SSA Did Not Reinstate Benefits in a Timely Manner

Of the 539 beneficiaries whose benefit payments were suspended pending the selection of a representative payee, we found that SSA did not appropriately reinstate benefits to 79 adult beneficiaries. According to SSA policy, their benefit payments should only have been suspended for 1 month while a representative payee was sought. On average, benefits to these 79 beneficiaries were suspended 175 days. As a result, these beneficiaries did not receive \$262,112 of their monthly benefit payments when they were payable. Based on these results, we estimate that approximately \$5,242,240 in benefit payments was improperly withheld from about 1,580 beneficiaries for longer than 1 month. At the end of our review, 10 of these beneficiaries remained in suspended status pending the selection of a representative payee.

⁶ Our audit period ended in December 2005.

Our interviews with SSA field office staff disclosed that they did not always consider paying beneficiaries directly if a new representative payee could not be located within 1 month. Specifically, field office staff indicated that benefit payments in some cases are suspended for more than 1 month because it is often difficult to locate a suitable individual or organization who is interested in becoming a representative payee. Rather than paying beneficiaries directly on an interim basis as SSA policy requires (unless precluded by law), beneficiaries remained in suspended status until suitable representative payees were found.

Benefits Were Not Reinstated to Children Under Age 15 in a Timely Manner

SSA policy prohibits directly paying beneficiaries under age 15. Instead, representative payee development must be initiated when a beneficiary requires a representative payee and none is immediately available. The 1-month rule does not apply to beneficiaries under age 15. For these cases, SSA policy states the selection of a representative payee should be resolved as quickly as possible.

Of the 196 children under age 15 included in our review, we found 111 had their benefit payments suspended for more than 1 month. Benefit payments to the 111 children were suspended for an average of 252 days. As a result, these beneficiaries did not receive \$285,817 in benefit payments when they were payable. Based on these results, we estimate that about 2,220 children under age 15 had approximately \$5,716,340 in benefits withheld during their suspensions. At the end of our review, 21 children remained in suspended status pending the selection of a representative payee.

Number of Days Benefits Were Withheld	Number of Beneficiaries
More than 120	69
91 - 120	10
61 - 90	16
31 - 60	16
Totals	111

Of the 111 children who were suspended for longer than 1 month, we found that SSA did not reinstate benefit payments to 15 beneficiaries who were under age 15 when their benefits were suspended but who subsequently attained ages 15 and 16. According to policy, SSA is required to make direct payment on an interim basis⁷ to competent beneficiaries 15 years of age and older. At the end of our review, five of these beneficiaries remained in suspended status pending the selection of a representative payee.

⁷ SSA, POMS, GN 00504.105.

SSA Could Not Locate Beneficiaries Whose Benefits Had Been Suspended Pending the Selection of a Representative Payee

SSA policy states that benefits will be suspended for “whereabouts unknown” if the field office is unable to locate the beneficiary. When this occurs, the benefit suspension reason must be changed from “suspended while representative payee is being determined” to “whereabouts unknown.”⁸ In “whereabouts unknown” cases, no payments should be made until the beneficiary is located and SSA has confirmed he or she is still eligible for benefits.⁹

We found that SSA could not locate 11 beneficiaries because their whereabouts were unknown. However, these beneficiaries remained in suspended status pending the selection of a representative payee, and, as a result, unnecessary representative payee development alerts were generated to the field offices each month.

CONCLUSION AND RECOMMENDATIONS

We found that SSA needed to improve its controls to ensure benefit payments were (1) suspended only in situations allowed by agency policies and (2) reinstated in a timely manner. Based on a review of 539 beneficiaries whose benefits were suspended pending the selection of a representative payee, we estimate SSA improperly suspended approximately \$4.6 million in benefit payments to about 1,700 beneficiaries. Furthermore, we estimate that SSA did not reinstate about \$5.2 million in benefit payments after 1 month, as required, to about 1,580 beneficiaries. Finally, we estimate that SSA did not reinstate benefit payments of approximately \$5.7 million to about 2,220 child beneficiaries under age 15 in a timely manner. Therefore, we recommend that SSA:

1. Remind field office employees that competent adult beneficiaries should be paid directly unless doing so would cause the beneficiary substantial harm.
2. Remind field office employees that benefits must be reinstated after 1 month unless the beneficiary is legally incompetent, under the age of 15 years, or has an alcoholism or drug addiction condition.
3. Emphasize to the field office employees the importance of resolving representative payee development issues as quickly as possible.

⁸ SSA, POMS, GN 00504.110.C.2.

⁹ SSA, POMS, SM 03020.290.B and SI 02301.240.B.2.

4. Remind field office employees that the benefit suspension reason must be changed from "representative payee development needed" to "whereabouts unknown" if all appropriate efforts to locate the beneficiary are unsuccessful.

AGENCY COMMENTS

SSA agreed with all of our recommendations. See Appendix D for the text of the SSA's comments.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology, Results, and Estimates

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

MBR	Master Beneficiary Record
POMS	Program Operations Manual System
SSA	Social Security Administration
SSR	Supplemental Security Income Record

Scope and Methodology

We obtained a data extract from single segments of the Master Beneficiary (MBR) and Supplemental Security Records (SSR)¹ that contained 539 beneficiaries whose benefit payments had been suspended pending the selection of a representative payee. Based on our data extract, we estimate there were 10,780 beneficiaries whose benefits had been suspended as of September 2004. We reviewed the 539 beneficiaries identified by our data extract.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, U.S. Code, and the Social Security Administration's (SSA) Program Operations Manual System;
- interviewed SSA employees from the Western Program Service Center and several field offices, Office of Disability and Supplemental Security Income Systems, San Francisco Management and Operations Support and Center for Automation, and Office of Disability Income and Security Programs; and
- extracted and reviewed 539 beneficiaries and obtained queries from SSA's MBR, SSR, and Payment History Update System.

We determined the computer-processed data from the MBR and SSR were 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 performed our audit work in Richmond, California, between May 2005 and January 2006. The entities audited were SSA's Office of Disability and Income Security Programs and Office of Operations. We conducted our audit in accordance with generally accepted government auditing standards.

¹ Each segment of the MBR and SSR represents one-twentieth, or 5 percent, of the entire beneficiary population.

Appendix C

Sampling Methodology, Results, and Estimates

We obtained a data extract from single segments of the Master Beneficiary (MBR) and Supplemental Security Record (SSR)¹ that contained 539 beneficiaries whose benefit payments had been suspended pending the selection of a representative payee. Based on our data extract, we estimate there were 10,780 beneficiaries whose benefits had been suspended as of September 2004.

We reviewed the 539 beneficiaries identified by our data extract. For each beneficiary, we determined whether benefit payments had been properly suspended and reinstated in a timely manner. For those beneficiaries whose benefit payments were improperly suspended or not reinstated in a timely manner, we computed the total benefit payments improperly withheld, including those withheld within the first month.

Of the 539 beneficiaries whose benefit payments were suspended pending the selection of a representative payee, we found that

- \$232,376 in benefits was improperly suspended and should have been paid directly to 85 beneficiaries,
- \$262,112 in benefits payable to 79 beneficiaries was not reinstated, as required, after 1 month, and
- \$285,817 in benefits was withheld from 111 children under age 15 for an average of 252 days.

Based on our audit results, we estimate that approximately

- \$4.6 million in benefits was improperly suspended and should have been paid directly to about 1,700 beneficiaries,
- \$5.2 million in benefits payable to about 1,580 beneficiaries was not reinstated, as required, after 1 month, and
- \$5.7 million in benefits was withheld from about 2,220 children under age 15 for an average of 252 days.

¹ Each segment of the MBR and SSR represents one-twentieth, or 5 percent, of the entire beneficiary population.

The following tables provide the details of our audit results and estimates.

Table 1 – Estimates for Adult Beneficiaries (Age 15 and Older)

Description	Average Number of Days Benefits Suspended	Segment Results		Population Estimates	
		Number of Cases	Benefits Withheld	Number of Cases	Benefits Withheld
Beneficiaries Not Paid Directly	162	85	\$232,376	1,700	\$4,647,520
Benefits Not Reinstated After 1 Month	175	79	\$262,112	1,580	\$5,242,240
Total		164	\$494,488	3,280	\$9,889,760

Table 2 – Estimate for Child Beneficiaries (Under Age 15)

Description	Average Number of Days Benefits Suspended	Segment Results		Population Estimates	
		Number of Cases	Benefits Withheld	Number of Cases	Benefits Withheld
Benefits Not Reinstated in a Timely Manner	252	111	\$285,817	2,220	\$5,716,340

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 05, 2006

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

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

Subject: Office of the Inspector General (OIG) Draft Report, "Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee" (A-09-05-25020)--INFORMATION

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

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

**COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT,
“BENEFICIARIES IN SUSPENDED PAYMENT STATUS PENDING THE SELECTION
OF A REPRESENTATIVE PAYEE” (A-09-05-25020)**

Thank you for the opportunity to review and comment on the draft report. We appreciate your conducting this audit of beneficiaries in suspended payment status pending the selection of a representative payee (Rep Payee).

Recommendation 1

The Social Security Administration (SSA) should remind field office (FO) employees that competent adult beneficiaries should be paid directly unless doing so would cause the beneficiary substantial harm.

Comment

We agree. We will continue to work with the regional coordinators to communicate with FO employees the need for paying a beneficiary directly until a new payee can be located. By mid-May, 2006, we will issue an administrative message to the responsible FO components with instructions as specified in this recommendation.

Recommendation 2

SSA should remind FO employees that benefits must be reinstated after 1 month unless precluded by law (for example, legally incompetent or under age 15).

Comment

We agree. We will continue to work with the regional office and FO employees and remind them of the need to reinstate benefits after one month. By mid-May, 2006, we will issue an administrative message to the responsible FO components with instructions as specified in this recommendation.

Recommendation 3

SSA should emphasize to the FO employees the importance of resolving Rep Payee development issues as quickly as possible.

Comment

We agree. We will work with all SSA components on the best method to resolve Rep Payee issues as quickly as possible. By mid-May, 2006, we will issue an administrative message to the responsible FO components with instructions as specified in this recommendation.

Recommendation 4

SSA should remind FO employees that the benefit suspension reason must be changed from “representative payee development needed” to “whereabouts unknown” if all appropriate efforts to locate the beneficiary are unsuccessful.

Comment

We agree. By mid-May, 2006, we will issue an administrative message to the responsible FO components with instructions as specified in this recommendation. When we release the administrative message, we will remind FO employees of the need to ensure that the proper code is recorded.

[In addition to the comments above, SSA provided technical comments which have been addressed, where appropriate, in this report.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division, (510) 970-1739

Joseph Robleto, Audit Manager, (510) 970-1737

Acknowledgments

In addition to those named above:

Nicole Kato Sullivan, Auditor-in-Charge

Timothy Meinholtz, Senior Auditor

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor

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