

*Audit Report*

The Social Security Administration's  
Processing of Misuse Allegations of  
Individual Representative Payees

**MEMORANDUM**

**Date:** June 14, 2021

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** The Social Security Administration's Processing of Misuse Allegations of Individual Representative Payees (A-13-18-50712)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration complied with its policies and procedures for allegations of misuse by individual representative payees who served 14 or fewer beneficiaries. Specifically, we examined the Agency's negligence determinations and whether it reimbursed beneficiaries and obtained restitution of misused funds from payees.

If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit, at 410-965-9700.



Gail S. Ennis

Attachment

# The Social Security Administration's Processing of Misuse Allegations of Individual Representative Payees

## A-13-18-50712



June 2021

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) complied with its policies and procedures for allegations of misuse by individual representative payees (payee) who served 14 or fewer beneficiaries. Specifically, we examined SSA's negligence determinations and whether it reimbursed beneficiaries and obtained restitution of misused funds from payees.

### Background

According to SSA policy, misuse of benefits occurs when a payee does not use the benefits for the beneficiary's use and benefit or save unused benefits for the beneficiary's future needs. To protect the beneficiary's interests, SSA employees must obtain and review information relevant to all allegations of misuse.

When the misuser is an individual payee serving 14 or fewer beneficiaries at the time of the misuse, the *Social Security Act* requires that SSA re-issue the misused benefits for payment to the beneficiary or a new payee only if the Agency determines it was negligent.

We reviewed 62 beneficiaries. This comprised a sample of 50 beneficiaries who had 1 instance of misuse and 12 beneficiaries who had 2 instances of misuse.

### Findings

SSA complied with its policies and procedures when it made negligence determinations for most of the beneficiaries we reviewed. However, we identified SSA negligence determinations that (1) did not have adequate support and (2) were not appropriately reviewed and approved. We also found SSA staff did not always comply with applicable policies and procedures when they (1) collected restitution from misuser payees and (2) reimbursed beneficiaries after the Agency received remittances from misuser payees.

Of the 62 beneficiaries in our sample, 48 had payees who did not pay restitution, and approximately \$211,565 remains uncollected. Further, SSA did not reimburse 11 beneficiaries for the full amount of the remittances it collected from the payee who misused the funds. The non-compliance we identified generally involved manual actions Agency employees are required to take.

We estimate the Agency did not collect approximately \$2 million in misused funds for 488 beneficiaries because it did not use all available collection tools to obtain restitution from payees. Additionally, we estimate SSA did not reimburse 175 beneficiaries approximately \$125,000 in misused funds it collected from payees.

We found SSA did not complete corrective actions for some payees on three of five recommendations in a related 2012 report. This could result in misuser payees not returning restitution and beneficiaries not receiving the misused funds due them.

### Recommendations

We made eight recommendations related to negligence determinations, restitution, reimbursements, and incomplete actions from a prior audit.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

AM	Administrative Message
C.F.R.	Code of Federal Regulations
eRPS	Electronic Representative Payee System
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
Payee	Representative Payee
<i>POMS</i>	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) complied with its policies and procedures for allegations of misuse by individual representative payees (payee) who served 14 or fewer beneficiaries. Specifically, we examined SSA's negligence determinations and whether it reimbursed beneficiaries and obtained restitution of misused funds from payees.

## BACKGROUND

SSA appoints payees for beneficiaries<sup>1</sup> who cannot manage or direct the management of their Social Security benefits because of their youth and/or mental or physical impairments.<sup>2</sup> Payees, which may be an individual or an organization, receive Old-Age, Survivors and Disability Insurance (OASDI)<sup>3</sup> benefits and Supplemental Security Income (SSI)<sup>4</sup> payments on behalf of these beneficiaries. As of September 2019, approximately 5.7 million payees were managing \$71 billion in annual benefits for 8 million beneficiaries.

Payees are responsible for using the benefits in the beneficiaries' best interests.<sup>5</sup> Misuse occurs if the payee uses benefits for reasons other than the use and benefit of the beneficiary.<sup>6</sup> The Agency receives allegations of benefit misuse from multiple sources, such as beneficiaries, potential payee applicants, third-party vendors, and anonymous reports.<sup>7</sup> SSA records this information in the Electronic Representative Payee System (eRPS). To protect the beneficiary's interests, SSA employees must obtain and review information relevant to all misuse allegations and determine whether misuse occurred. Employees gather information by (a) interviewing the complainant, (b) inspecting payee information, (c) discussing the alleged misuse with the payee, and/or (d) contacting others, as needed.<sup>8</sup> SSA staff uses eRPS to document actions pertaining to payee misuse. For example, staff uses eRPS to document, track, and store misuse allegations

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<sup>1</sup> We use the term "beneficiary" generically in this report for both OASDI beneficiaries and SSI recipients.

<sup>2</sup> *Social Security Act*, 42 U.S.C. §§ 405 (j)(1)(A), 1383(a)(2) (govinfo.gov 2019), 20 C.F.R. §§ 404.2010, 20 C.F.R. 416.610 (govinfo.gov 2020).

<sup>3</sup> The OASDI program provides retirement and disability benefits to qualified individuals and their dependents as well as to survivors of insured workers. *Social Security Act*, 42 U.S.C. § 401 (govinfo.gov 2019).

<sup>4</sup> SSI provides income to individuals who have attained age 65 or are blind or disabled and eligible based on income and resources. *Social Security Act*, 42 U.S.C. § 1381 (govinfo.gov 2019).

<sup>5</sup> 20 C.F.R. §§ 404.2035(a), 20 C.F.R. 416.635(a) (govinfo.gov 2020).

<sup>6</sup> *Social Security Act*, 42 U.S.C. §§ 405 (j)(9), 1383(a)(2)(A)(iv) (govinfo.gov 2019).

<sup>7</sup> SSA, *Title II Claims Specialist Basic Training Curriculum*, PUB No. 25-1290, p. 94 (2018).

<sup>8</sup> SSA, *Title II Claims Specialist Basic Training Curriculum*, PUB No. 25-1290, pp. 93 through 95 (2018).

and activities pertaining to the recovery of misused funds.<sup>9</sup> Additionally, if the payee is serving more than one beneficiary, SSA staff develops misuse determinations for all beneficiaries.<sup>10</sup>

SSA commits negligent failure if it does not take appropriate action to investigate or monitor a payee or does not follow established procedures in its investigation or monitoring.<sup>11</sup> When an individual payee serving 14<sup>12</sup> or fewer beneficiaries commits misuse, SSA is required to re-issue payments to the beneficiary if SSA's negligence resulted in the misuse.<sup>13</sup> To determine whether negligent failure occurred, SSA employees must examine the misuse and consider whether SSA

1. followed procedures to select a proper payee;
2. followed procedures to contact the payee when benefits were reinstated to the same payee after a period of suspension or non-payment;
3. took timely action after information suggested there was a risk to benefits;
4. followed its general monitoring procedures; and
5. verified the payee completed an accounting report for the period of misuse.

After an employee makes a negligence determination, a different employee must review and approve that determination. Employees involved in this process cannot have previous involvement with the payee.<sup>14</sup>

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<sup>9</sup> SSA, *Title II Claims Specialist Basic Training Curriculum*, PUB. No. 25-1290, p. 93 (2018).

<sup>10</sup> SSA, *Title II Claims Specialist Basic Training Curriculum*, PUB. No. 25-1290, p. 97 (2018).

<sup>11</sup> 20 C.F.R. §§ 404.2041(d), 416.641(d) (govinfo.gov 2020).

<sup>12</sup> In contrast, when individual payees misuse benefits during a period in which they serve 15 or more beneficiaries, SSA must re-issue the misused funds to the beneficiaries. The Agency subsequently collects the misused funds from the payee and reimburses the Trust and General funds. 20 C.F.R. §§ 404.2041(b), 416.641(b) (govinfo.gov 2020).

<sup>13</sup> *Social Security Act*, 42 U.S.C. §§ 405(j)(5), 1383(a)(2)(E) (govinfo.gov 2019).

<sup>14</sup> SSA, *Title II Claims Specialist Basic Training Curriculum*, PUB. No. 25-1290, pp. 93 and 97 (2018).

SSA is required to make every reasonable effort to obtain restitution from the payee for the misused benefits. To do this, SSA must establish an overpayment on the payee's record and initiate recovery of the misused benefits. Generally, the Agency recovers the misused funds from payees through (1) refunds by cash, check, money order, credit card, or return of a benefit check;<sup>15</sup> (2) monthly installment payments;<sup>16</sup> (3) benefit withholdings—if available as an option;<sup>17</sup> and (4) the External Collection Operation.<sup>18</sup> If SSA was negligent, it should repay the beneficiary immediately after a 15-day response period for possible repayment or proof the benefits were not misused.

In a 2012 audit, we found SSA did not always (1) obtain restitution from payees when it could use benefit adjustment to do so; (2) re-issue payments to beneficiaries when it determined it was negligent; (3) document negligence decisions; or (4) make restitution to beneficiaries when it collected misused funds from payees.<sup>19</sup>

To conduct our current review, we obtained an electronic data extract of 1,285 instances of SSA misuse determinations for individual payees who served 14 or fewer beneficiaries from January 2016 through February 2019.<sup>20</sup> We separated the population into 2 mutually exclusive sampling frames: 1,258 beneficiaries who had 1 instance of payee misuse (Sampling Frame 1) and 12 beneficiaries who had 2 instances of payee misuse (Sampling Frame 2).<sup>21</sup> We randomly selected and reviewed 50 of the beneficiaries in Sampling Frame 1 and all 12 beneficiaries in Sampling Frame 2. See Appendix A for our scope and methodology and Appendix B for our sampling methodology and results.

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<sup>15</sup> SSA, *POMS*, GN 02210.150, A.3 (June 20, 2019).

<sup>16</sup> SSA, *POMS*, GN 02210.180, A (June 24, 2020).

<sup>17</sup> SSA withholds benefits from an individual's current and future monthly benefit payment(s), underpayment, lump-sum death payment, any misused funds re-issued, or any other Social Security-administered program payment(s). SSA, *POMS*, GN 02210.001, A (July 8, 2020).

<sup>18</sup> The External Collection Operation collects from debtors who have a benefit record but are not receiving Social Security payments. This Operation collects debts by using credit bureau reporting referrals, administrative wage garnishment, Treasury Offset Program, tax refund offset, Federal salary offset, and administrative offset. SSA, *POMS*, GN 02230.035, C (October 31, 2017).

<sup>19</sup> SSA, OIG, *Individual Representative Payees Who Misuse Benefits*, A-13-10-10182, p. 12 (May 2012).

<sup>20</sup> The 1,285 instances of misuse were committed by 1,132 payees. The Agency reported it “. . . investigate[s] misuse actions by each payee, and we combine all beneficiary misuse amounts for a specific time period for an individual payee into one overpayment.” We looked at instances of misuse for this review.

<sup>21</sup> Of the 12 beneficiaries, 11 had 2 instances of misuse committed by different payees—22 payees misused beneficiaries' funds. In addition, 21 beneficiaries had payees who were serving other beneficiaries when the misuse occurred. The remaining three instances were duplicates, which we excluded from the Sampling Frames.

## RESULTS OF REVIEW

SSA complied with its policies and procedures when it made negligence determinations for most of the beneficiaries we reviewed. However, we identified instances where SSA employees did not comply with applicable policies and procedures when they (1) made and processed negligence determinations, (2) collected restitution from misuser payees, and (3) reimbursed beneficiaries after they received remittances from misuser payees. Of the 62 beneficiaries we reviewed, 40 had 1 or more occurrences where SSA staff did not comply with policies and procedures (see Table 1).

**Table 1: Occurrences Where SSA Staff Did Not Comply with Policies and Procedures**

Non-compliance Issue	Sampling Frame 1	Sampling Frame 2	
		Instance 1	Instance 2
Inadequate Support for Negligence Determination	0	0	2
Negligence Determination Preparer/Approver Had Prior Involvement	0	1	1
Misuse Determination Not Made for All Beneficiaries	0	0	1
All Available Collection Tools Not Used to Obtain Repayment	19	7	3
Beneficiaries Not Reimbursed Misused Funds Collected from Payees	8	2	1

**Note:** A sampled case can have more than one non-compliance issue, so the numbers in Table 1 add to more than the total number of cases in our samples.

Based on the results of our review, we estimate the Agency did not take proper actions to collect approximately \$2 million in misused funds for 488 beneficiaries in Sampling Frame 1. Also, we estimate SSA did not reimburse 175 beneficiaries approximately \$125,000 in misused funds it collected from misuser payees.<sup>22</sup>

SSA indicated its employees did not obtain restitution from misuser payees because staff did not use available collection tools to obtain restitution from payees. Further, SSA stated its employees did not take manual action to control the process of reimbursing beneficiaries. The occurrences of non-compliance we identified involved manual actions Agency employees are required to take. Whenever manual actions are required, there is an inherent risk that required actions will not comply with policies and procedures.

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<sup>22</sup> See Appendix B for our sampling results.

## Negligence Determinations

SSA complied with its policies and procedures when it made negligence determinations for most of the beneficiaries we reviewed. Of the 62 beneficiaries we reviewed, 60 had adequate support for the negligence determination—58 where SSA was not negligent and 2 where it was negligent.<sup>23</sup> Information in SSA’s systems supported its decisions. For the remaining two beneficiaries, there was inadequate support for SSA’s determination of “not negligent” in the misuse of \$7,316 in beneficiaries’ funds.

For the first beneficiary, an SSA employee determined a payee misused \$4,316 in OASDI benefits for the period July through November 2016. The payee served from January 2015 through November 2016. SSA policy required that the payee complete an annual accounting report for the period January through December 2015.<sup>24</sup> However, we could not locate a completed accounting report in eRPS.<sup>25</sup> Agency staff should have redirected payments to the field office in September 2016, but it did not, and Agency staff did not explain why. Not redirecting payments to the field office indicated SSA was negligent in the misuse because, had it taken proper steps to obtain the report, it may have identified and prevented misuse of the beneficiary’s funds sooner.

Regarding the second beneficiary, SSA selected a payee who had previously misused benefits. SSA policy allows staff to select a payee who previously committed misuse if direct payment is prohibited; there is no suitable, alternative payee; and SSA determines the payee poses no risk to the beneficiary.<sup>26</sup> However, there was no documentation in SSA’s information systems that indicated staff determined whether the payee posed no risk to the beneficiary.

Specifically, while a woman was serving as payee for her daughter, she misused the daughter’s benefits on two separate occasions. SSA staff determined the mother misused \$4,398 in benefits from February through August 2016 because, during that time, she was receiving payments but did not have custody of the child. A social service agency served as payee from September 2016 to May 2017. In June 2017, the mother regained custody, and SSA selected her as payee again. However, the daughter was placed in State foster care again, and the mother did not notify SSA.

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<sup>23</sup> Regarding Sampling Frame 1, Agency staff determined SSA was not negligent for payee misuse of 48 beneficiaries’ funds, and the Agency was negligent for payee misuse of 2 beneficiaries’ funds. For Sampling Frame 2, the staff determined SSA was not negligent for payee misuse of 12 beneficiaries’ funds.

<sup>24</sup> SSA, *POMS*, GN 00605.001, B.1 (May 15, 2013).

<sup>25</sup> SSA deems a payee a non-responder after the payee does not respond to the second request for an accounting report for a designated period. A contractor mails the accounting reports to payees in the month following the month of selection. When a report remains pending after 90 days, the contractor mails a second request. SSA identifies a pending accounting report as a “non-responder” if it has not received the report after 7 months for OASDI benefits or 6 months for SSI payments or concurrent benefits. SSA, *POMS*, GN 00605.020, B (March 13, 2019).

<sup>26</sup> SSA, *POMS*, GN 00502.132, A.2 (June 23, 2017).

SSA staff determined she misused an additional \$3,000 in benefits from January through April 2018. The payee has not made restitution for either of the two instances of misuse.

We asked why Agency staff did not determine SSA negligent in the misuse of benefits for the two beneficiaries. As of July 2020, according to the Agency, it was unable to determine why staff did not make negligence determinations in compliance with SSA policies. SSA stated there was insufficient documentation for the negligent determinations for these two beneficiaries.

### *Review and Approval of Negligence Determinations*

The Agency made negligence determinations that had adequate support for 60 of the 62 beneficiaries reviewed. We found SSA employees not previously involved in actions pertaining to payees correctly made the negligence determinations and approved negligence determinations for about half the beneficiaries. For the remainder, there was not enough evidence in SSA's records for us to determine whether the employees were previously involved in actions pertaining to the payee.<sup>27</sup> It is important that SSA staff follow Agency policy to ensure the employee who makes or approves the negligence determination has not contributed to the misuse. See Table 2 for our analysis of previous staff actions pertaining to misuser payees.

**Table 2: Analysis of Staff Involvement in Payee Actions**

	Sampling Frame 1			Sampling Frame 2				
	Complied	Not Enough Information	Did Not Comply	Instance 1 and 2: Complied	1 Instance: Complied 1 Instance: Not Enough Information	1 Instance: Did Not Comply 1 Instance: Complied	1 Instance: Did Not Comply 1 Instance: Not Enough Information	Total
<b>Number of Beneficiaries</b>	27	23	0	3	7	1	1	62
<b>Misused Funds</b>	\$101,626	\$81,553	\$0	\$15,143	\$47,943	\$2,917 <sup>28</sup>	\$12,131 <sup>29</sup>	\$261,313

For two beneficiaries with two instances of misuse, the employees involved in the negligence determinations had been involved in actions pertaining to the payees for one of the instances of misuse. For one beneficiary, the same employee who approved the negligence determination processed the initial payee application. For the other beneficiary, the same employee made the

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<sup>27</sup> The information in SSA's systems did not identify the employees who processed the initial applications. For example, some applications were processed before eRPS was implemented; therefore, the name of the employee who processed the application was not available.

<sup>28</sup> This includes \$1,917 for the instance where Agency staff did not comply with policy and \$1,000 for the instance in which Agency staff complied with policy.

<sup>29</sup> This includes \$3,464 for the instance where Agency staff did not comply with policy and \$8,667 for the instance in which we could not determine whether Agency staff complied with policy.

negligence determination and processed the initial payee application. The two negligence determinations pertain to approximately \$5,381 in misused funds.

We asked why Agency staff did not follow policy regarding preparing and approving negligence determinations. As of July 2020, the Agency had not provided additional information as to why staff prepared and/or approved negligence determinations after being previously involved in actions pertaining to the payee. However, SSA agreed with our analysis for these beneficiaries.

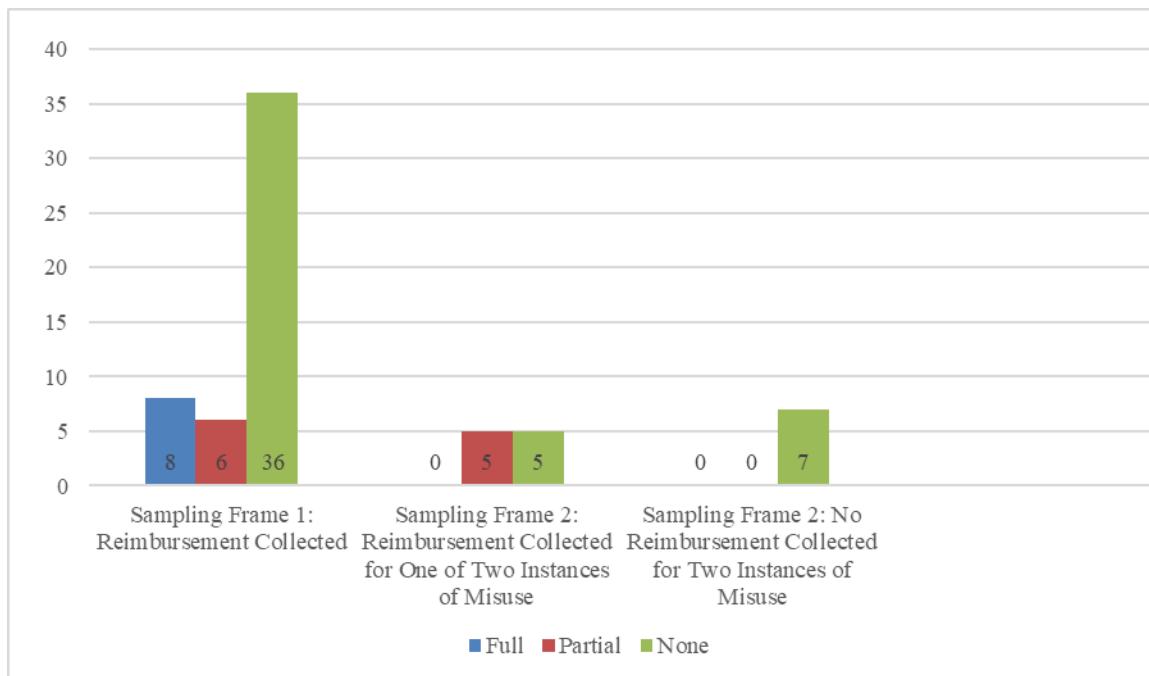
### ***Beneficiaries Served at Time of Misuse***

Of the 62 beneficiaries, the benefits for 21 were misused by 20 payees who served more than 1 beneficiary during the period of alleged misuse. For the period of misuse, staff made negligence determinations for all beneficiaries served by 19 payees. However, SSA staff did not make misuse or negligence determinations for one beneficiary served by one payee. The payee managed approximately \$750 a month for the additional beneficiary she served during the period in which the misuse occurred. SSA stated the technicians' failure to make misuse decisions for all beneficiaries generally occurred because they may not have been familiar with eRPS.

### **Restitution from Payees**

SSA employees did not always follow applicable procedures to obtain restitution from payees who misused funds. See Figure 1 for SSA's collection of restitution from payees who misused funds of the 62 beneficiaries we reviewed.

**Figure 1: Restitution Collected for Beneficiaries as of March 2020**



In our review of 62 beneficiaries, we found<sup>30</sup>

- 48 had payees<sup>31</sup> who did not pay any restitution in 55 instances of misuse—approximately \$211,565 remains uncollected;
- 11 had payees who paid partial restitution of \$12,863, and payees intend to repay the remaining approximately \$30,386; and
- 8 had payees who repaid full restitution of approximately \$16,275.

Agency staff complied with SSA's collection policies by (a) referring all misuse instances to the Office of the Inspector General (OIG) before taking recovery actions and (b) issuing letters to payees that identified the amount of, and repayment options for, misused funds.<sup>32</sup> However, of the 62 beneficiaries we reviewed, SSA employees did not collect payment of the total restitution owed to 48 beneficiaries for 55 instances of misuse. This occurred, in part, because SSA staff cannot use all its available tools to collect restitution for 25 beneficiaries.

As previously discussed, the Agency recovers misused funds from payees through various means, including External Collection Operation. Using this method, the Agency attempts to collect debts from debtors who have a benefit record but are not receiving Social Security payments by using credit bureau reporting referrals, administrative wage garnishment, the Treasury Offset Program, tax refund offset, Federal salary offset, and administrative offset. However, SSA cannot use its External Collection Operation to collect overpayments from a non-entitled debtor—a person who owes a debt to SSA but is not entitled to benefits and usually does not have a Master Beneficiary or Supplemental Security Record of his/her own.<sup>33</sup> SSA's debt collection systems have interfaced with either the Master Beneficiary or Supplemental Security Record thereby limiting the collection of overpayments from non-entitled debtors who do not have such a Record.

If SSA modifies its system to allow the use of the External Collection Operation for non-entitled debtors, collection of restitution from this type of payee should improve. Had SSA's system allowed use of the Agency's External Collection Operation, SSA may have been able to collect for the 25 beneficiaries \$106,435 in restitution from the misuser payees who were non-entitled debtors. SSA acknowledged its intent to use debt collection tools for non-entitled debtors<sup>34</sup> and stated, “The new Debt Management Product<sup>35</sup> will include records for [non-entitled debtors],

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<sup>30</sup> A beneficiary may be included in more than one condition, as identified below. For example, a beneficiary with two instances of misuse committed by two different payees had one payee who did not pay any restitution in one instance, but the other payee made partial restitution for the remaining instance.

<sup>31</sup> These 48 beneficiaries were served by 52 payees.

<sup>32</sup> SSA, *Title II Claims Specialist Basic Training Curriculum*, PUB. No. 25-1290, pp. 96 and 97 (2018).

<sup>33</sup> SSA, POMS, GN 02230.035, A (October 31, 2017).

<sup>34</sup> SSA, POMS, GN 02230.035, C (October 31, 2017).

<sup>35</sup> The project will build a programmatic management system to enable SSA to collect, store, monitor, and report program debt activity and process waiver determinations.

which will allow the use of our external collection tools. This function will be added after we release the Minimal Viable Product in late 2022.”

Regarding the 28 beneficiaries<sup>36</sup> for which no restitution was collected from 27 payees who were entitled debtors, SSA staff did not use all available collection tools to obtain repayment of \$105,130 in misused funds. Not collecting the restitution from the payees prevents SSA from repaying the beneficiaries the misused funds. For the 28 beneficiaries, as of March 2020, SSA had not done the following.

- Used the External Collection Operation for 16 beneficiaries, which would have allowed the Agency to collect the restitution as overpayments. For example, one payee had significant earnings,<sup>37</sup> and the Agency could have used External Collection Operation to collect the overpayment by withholding the payee’s tax refunds.
- Posted the overpayments for eight beneficiaries on the payees’ Social Security records. Not modifying the payees’ records limits the use of certain collection tools. For example, one payee receives monthly SSI payments and signed a statement in December 2017 agreeing to use 10 percent of her monthly payments to pay restitution for the misused benefits. SSA has not collected payments from the payee because staff did not post the overpayment to the payee’s record.
- Collected the misused funds from four payees’ own Social Security benefits. This occurred because staff incorrectly established the overpayment on SSA’s records—preventing initiation of recovery. The Agency has to take manual action to correct the error for benefit adjustment to begin.

SSA indicated employees did not obtain restitution from misuser payees because staff did not use available collection tools to obtain restitution from payees.<sup>38</sup>

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<sup>36</sup> Of the 28 beneficiaries, 19 were in Sampling Frame 1 and 9 were in Sampling Frame 2. There were 29 total instances of misuse.

<sup>37</sup> Records show the payee earned \$88,415 in 2017 and \$88,213 in 2018.

<sup>38</sup> We sent our results to the Agency, which generally agreed with our conclusions for 27 beneficiaries. One is pending.

## Reimbursing Beneficiaries After Receiving Remittances from Representative Payees

When SSA receives a payment from a payee, it must reimburse the beneficiary.<sup>39</sup> However, of the 19 beneficiaries for which the misuser paid some amount of restitution, only 8 (42 percent) were repaid.<sup>40</sup> SSA did not reimburse 11 (58 percent) beneficiaries \$17,774 for any of the remittances it collected.<sup>41</sup> Additionally, the time from when the payee made the first restitution payment to February 2020 ranged from 9 to 33 months. See Table 3 for an analysis of these beneficiaries' reimbursement.

**Table 3: Beneficiaries Who Had Not Received Any Reimbursement as of February 2020**

Beneficiary	Misuse Amount	Amount SSA Collected	Months Since Payee Made First Restitution Payment
1	\$700	\$700	27
2	\$6,710	\$6,710	10
3	\$543	\$543	21
4	\$3,800	\$742	33
5	\$1,131	\$1,131	10
6	\$3,180	\$565	13
7	\$6,640	\$300	12
8	\$4,561	\$900	9
9	\$1,870	\$1,460	20
10	\$7,425	\$1,006	11
11	\$6,363	\$3,717	21
<b>Total</b>	<b>\$42,923</b>	<b>\$17,774</b>	

We asked why the Agency did not reimburse the 11 beneficiaries. For Beneficiary 5, the Agency attempted to reimburse misused funds but could not locate the beneficiary. SSA reported refunded payments were not issued timely to beneficiaries because staff did not take manual action to control the process of reimbursing beneficiaries. Automating the actions required for reimbursing beneficiaries' collected funds should lessen the risk of employees' non-compliance. In May 2021, the Agency notified us it had reimbursed 2 of the 11 beneficiaries.

<sup>39</sup> 20 C.F.R. §§ 404.2041(a), 416.641(a) (govinfo.gov 2020).

<sup>40</sup> Of the restitution SSA collected and repaid to eight beneficiaries, SSA fully reimbursed four beneficiaries within 30 days. SSA is reimbursing four beneficiaries in installments as the payees make restitution payments.

<sup>41</sup> SSA staff collected restitution from payees for two beneficiaries in Sampling Frame 2 after we informed staff of our analysis. SSA applied the restitution to the beneficiaries' own overpayment.

## Agency Actions in Response to Our Prior Recommendations

Our 2012 audit identified similar issues as those outlined above, so we conducted additional testing to determine whether SSA took action to implement our five recommendations.<sup>42</sup> Although SSA had agreed to implement all the recommendations, we found it had only implemented two. See Table 4 and Table 5.

**Table 4: May 2012 Report Recommendations SSA Implemented**

Recommendations	Agency Response	OIG Follow-up Testing
Remind staff to use the benefit adjustment debt collection tool when possible to obtain restitution for beneficiaries who had individual representative payees misuse their benefits.	We published AM-12086 to remind technicians to use the benefit offset debt collection tool, when possible, to obtain restitution for beneficiaries who had individual representative payees misuse their benefits.	We reviewed AM-12086, effective July 23, 2012, and confirmed the message reminded SSA technicians to use the benefit adjustment debt collection tool.
Remind staff to comply with SSA policy and procedures to repay beneficiaries if Agency negligence is determined when individual representative payees misuse benefits.	We published AM-12085 to complete the requirements for negligence determinations and re-issue misused funds to beneficiaries in misuse cases.	We reviewed AM-12085, effective July 23, 2012, and confirmed the message reminded SSA technicians to comply with SSA policy to repay beneficiaries if Agency negligence is determined.

**Table 5: May 2012 Report Recommendations SSA Did Not Implement**

Recommendations	Agency Response	OIG Follow-up Testing
Use, when appropriate, benefit adjustment to obtain restitution from the 408 payees we identified to recover about \$2.1 million in misused funds.	We completed each case associated with the recommendation between May 2012 and June 2014. We took benefit adjustment actions to obtain restitution from the 408 payees OIG identified to recover the misused funds.	We tested a random sample of 10 payees to determine whether SSA used benefit adjustment for those entitled to benefits. We determined SSA did not comply with its policy and recover restitution from 4 of the 10 payees.
Repay the four beneficiaries we identified who Agency negligence was determined concerning the misuse, but the beneficiaries were not paid.	We repaid the four beneficiaries OIG identified.	We found SSA did not reimburse misused funds to two of the four beneficiaries when it determined it was negligent. One beneficiary was not reimbursed, and one beneficiary was only partially reimbursed.
Repay the 13 beneficiaries identified in our audit for which the Agency has obtained restitution from the misusers, but has not repaid these funds to the beneficiaries.	We reviewed the 13 beneficiaries identified in the OIG audit and took action to recover and repay the misused benefits to the beneficiaries.	We found SSA did not repay all misused funds for which it had collected restitution from misuser payees. Of the 13 beneficiaries, only 4 received partial reimbursement, and 1 did not receive any reimbursement. (We considered the beneficiary to be “fully reimbursed” if SSA reimbursed the beneficiary all the funds it received.)

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<sup>42</sup> SSA, OIG, *Individual Representative Payees Who Misuse Benefits*, A-13-10-10182, p. 13 (May 2012).

Since SSA did not complete corrective action for the payees—that is, obtain restitution and repay the beneficiaries—we question whether SSA completed corrective actions for the remaining 398 problematic payees we identified in our prior audit. This could result in misuser payees not returning restitution and beneficiaries not receiving the misused funds due them.

## CONCLUSIONS

For individual payees who misuse funds, the Agency still has challenges making negligence determinations, collecting restitution, and repaying beneficiaries. Employees did not always comply with applicable policies and procedures when they made and processed negligence determinations, collected restitution from misuser payees, and reimbursed beneficiaries after they received remittances from misuser payees. According to SSA staff, this occurred because employees were not familiar with eRPS. Agency staff indicated employees did not obtain restitution from misuser payees because staff did not use available collection tools. Further, SSA staff stated employees did not take manual action to control the process of reimbursing beneficiaries. The occurrences of non-compliance we identified involved manual actions Agency employees are required to take.

Based on the results of Sampling Frame 1, we estimate the Agency did not collect approximately \$2 million in misused funds for 488 beneficiaries because it did not use all available collection tools to obtain restitution from payees. Additionally, we estimate SSA did not reimburse approximately 175 beneficiaries \$125,000 in misused funds it collected from payees. We also found SSA did not complete actions pertaining to three recommendations in our 2012 report.<sup>43</sup>

## RECOMMENDATIONS

We recommend SSA:

1. Re-evaluate its negligence determinations for two beneficiaries where available information did not support the determinations.
2. Post overpayments, adjust benefits of payees, and/or seek External Collection Operations for 28 beneficiaries.
3. Continue collection from 11 payees who only made partial restitution payments.
4. Complete the planned update of the debt collection system to allow recovery of overpayments for non-entitled debtors.
5. Reimburse nine beneficiaries who had not received funds SSA collected from the misuser payees.

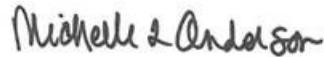
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<sup>43</sup> SSA, OIG, *Individual Representative Payees Who Misuse Benefits*, A-13-10-10182 (May 2012).

6. Take corrective action for the remaining 1,208 beneficiaries we identified in Sampling Frame 1 to (a) determine whether it used all its available collection tools to obtain restitution and (b) reimburse beneficiaries, as applicable, when it collected restitution from payees.
7. Improve controls related to (a) establishing debts and collection of misused funds and (b) reimbursing misused funds the Agency collects.
8. Take corrective actions for the payees and beneficiaries identified in our 2012 audit.

## AGENCY COMMENTS

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



Michelle L. Anderson  
Assistant Inspector General for Audit

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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To accomplish our objective, we:

- Obtained and reviewed applicable Federal laws and regulations, pertinent sections of the Social Security Administration's (SSA) *Program Operations Manual System*, and other criteria relevant to the misuse of benefits by individual representative payees (payee).
- Reviewed prior relevant Office of the Inspector General reports pertaining to payee misuse.
- Obtained and analyzed an electronic data extract from the Electronic Representative Payee System for the period January 2016 through February 2019.
- Selected and analyzed a random sample of 50 beneficiaries with 1 instance of misuse and all 12 beneficiaries with 2 instances of misuse to determine whether the Agency (a) complied with its policies and procedures for making and processing negligence determinations, (b) collected restitution from misuser payees, and (c) reimbursed beneficiaries according to policy. See Appendix B for detailed information.
- Identified and reviewed data in the Electronic Representative Payee System pertaining to misuse information and documentation. Specifically, we used the System to determine the
  - misuse period,
  - number of instances of misuse for each beneficiary during the misuse period,
  - number of beneficiaries served by payees during the misuse period and whether the Agency complied with making a negligence determination for each (if applicable),
  - compliance in making negligence determinations,
  - misuse amount, and
  - staff involvement in actions pertaining to payees.
- Used information in other SSA systems to verify and support misuse information. Specifically, we reviewed the Master Beneficiary and Supplemental Security Records, Online Retrieval System, and Claims File User Interface.
- Calculated applicable restitution not collected from payees and/or misused funds reimbursed to beneficiaries and estimated restitution to applicable sampling frames.

- Reviewed the five recommendations from our 2012 report<sup>1</sup> to determine whether SSA addressed our recommendations. Specifically, we
  - analyzed a sample of 10 for the first recommendation,
  - analyzed all beneficiaries identified for Recommendations 3 and 5, and
  - reviewed Administrative Messages for Recommendations 2 and 4.

We conducted our review from July 2019 to June 2020 at SSA Headquarters in Baltimore, Maryland. The principal entity audited was the Office of the Deputy Commissioner for Operations.

We determined the computer-processed data used for this audit were sufficiently reliable to meet our audit objective. Further, any data limitations were minor in the context of this assignment, and the use of the data should not lead to an incorrect or unintentional conclusion.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls as associated with the audit objective. We identified the following two Components and three Principles as significant to the audit objective.

- Component 3: Control Activities
  - Principle 10: Design control activities
  - Principle 12: Implement control activities
- Component 5: Monitoring
  - Principle 17: Remediate deficiencies

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> SSA, OIG, *Individual Representative Payees Who Misuse Benefits*, A-13-10-10182, p. 13 (May 2012).

## **Appendix B – SAMPLING METHODOLOGY AND RESULTS**

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We obtained and analyzed an electronic data extract from the Social Security Administration’s (SSA) Electronic Representative Payee System. The data extract consisted of 3,374 records that met the following criteria.

- The beneficiary had a misuse determination during the period January 2016 through February 2019.
- The beneficiary’s representative payee was an individual serving 14 or fewer beneficiaries during the period of misuse.

After applying screening criteria, we identified 1,285 instances of misuse committed by 1,132 payees during the period January 2016 through February 2019. The Agency reported it “... investigate[s] misuse actions by individual payee, and we combine all beneficiary misuse amounts for a specific time period for an individual payee into one overpayment.” We reviewed a random sample of 50 instances of misuse and determined some beneficiaries had 2 instances of misuse. Based on instances of misuse, we separated the beneficiaries into two mutually exclusive sampling frames. Of the 1,285 instances, we determined 1,258 beneficiaries had 1 instance of payee misuse during our audit period (Sampling Frame 1); 12 beneficiaries had 2 (24) instances of payee misuse during our audit period (Sampling Frame 2); and 3 instances were duplicates. We excluded duplicate instances of misuse from the sampling frames.

We randomly selected and reviewed 50 beneficiaries in Sampling Frame 1 and reviewed all 12 beneficiaries in Sampling Frame 2 (see Table B–1).

**Table B–1: Sampling Frame 1: Population and Sample Size**

Description	Beneficiaries
Population Size	1,285
Sample Size	50

**Table B–2: Sampling Frame 1: SSA Did Not Exhaust All Efforts to Collect Misused Funds**

Description	Beneficiaries	Financial Loss
Sample Results	19	\$77,940
Point Estimate	488	\$2,003,058
Projection – Lower Limit	344	\$945,092
Projection – Upper Limit	647	\$3,061,024

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

**Table B–3: Sampling Frame 1: SSA Did Not Reimburse Beneficiaries After it Collected Restitution from Misuser Individual Representative Payees**

Description	Beneficiaries	Financial Loss
Sample Results	7 <sup>1</sup>	\$4,881
Point Estimate	175	\$125,442
Projection – Lower Limit	86	\$47,258
Projection – Upper Limit	306	\$203,625

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

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<sup>1</sup> We removed one beneficiary and \$6,710 because an outlier was present.

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

Office of the Commissioner

#### **MEMORANDUM**

Date: May 19, 2021

Refer To: TQA-1

To: Gail S. Ennis  
Inspector General

A handwritten signature in blue ink, appearing to read "Scott Frey".

From: Scott Frey  
Chief of Staff

Subject: Office of the Inspector General Draft Report “The Social Security Administration’s Processing of Misuse Allegations of Individual Representative Payees” (A-13-18-50712) --  
INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations. Our new Debt Management Product will improve controls for collecting misused funds. We also plan to improve misuse allegation processing with future updates to the Electronic Representative Payee System.

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

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