

Audit Report

Follow-up on Prisoner Incentive
Payments

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: December 20, 2019 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Follow-up on Prisoner Incentive Payments (A-01-19-50851)

The attached final report presents the results of the Office of Audit's review. The objective was to assess the accuracy of the Social Security Administration's incentive payments to correctional facilities.

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



Gail S. Ennis

Attachment

Follow-up on Prisoner Incentive Payments

A-01-19-50851



December 2019

Office of Audit Report Summary

Objective

To assess the accuracy of the Social Security Administration's (SSA) incentive payments to correctional facilities.

Background

The *Social Security Act* prohibits individuals from receiving (1) Old-Age, Survivors and Disability Insurance (OASDI) benefits if they have been convicted and incarcerated for a period of longer than 30 days in a jail, prison, or other penal/correctional facility and (2) Supplemental Security Income (SSI) payments if they have been confined in a public institution throughout any month.

To encourage the timely reporting of inmate data that would allow SSA to suspend OASDI and SSI payments to prisoners, the *Social Security Act* allows the Agency to make incentive payments to State and local correctional facilities.

We have issued three prior reports on prisoner incentive payments that concluded SSA did not adhere to incentive payment provisions in the *Social Security Act* when it paid correctional facilities.

To conduct this review, we identified 452,746 incentive payments, totaling \$167 million, that SSA paid from March 2014 through April 2019. We randomly selected 275 cases from this population for detailed analysis.

Findings

SSA updated its system and, as a result, issued incentive payments in compliance with the timeframes specified by the *Social Security Act*. However, we still found SSA incorrectly paid some incentives.

We estimate SSA incorrectly issued approximately 77,000 incentive payments totaling \$25 million. Of the \$25 million, SSA erroneously paid approximately \$21 million because, generally, the beneficiaries did not meet the criteria for suspension. SSA improperly paid correctional facilities the remaining \$4 million because it did not receive inmate data within the timeframe established by law, but it did receive the data within the timeframe implemented by SSA—a condition we identified in our prior reports. These incorrect payments occurred before SSA corrected this issue in March 2016.

Recommendation

We recommend SSA reinforce established procedures regarding proper development of incarcerated beneficiaries and recoupment of erroneous incentive payments to correctional facilities. SSA agreed with the recommendation.

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ABBREVIATIONS

CY	Calendar Year
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
PUPS	Prisoner Update Processing System
SSA	Social Security Administration
SSI	Supplemental Security Income
Stat.	Statutes at Large
U.S.C.	United States Code

OBJECTIVE

Our objective was to assess the accuracy of the Social Security Administration's (SSA) incentive payments to correctional facilities.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. The OASDI program provides monthly benefits to retired and disabled workers and their dependents as well as the survivors of deceased workers.¹ The SSI program provides a minimum level of income security to financially needy individuals who are aged, blind, or disabled.² The *Social Security Act* prohibits individuals from receiving (1) OASDI benefits if they have been convicted and incarcerated for a period of longer than 30 days in a jail, prison, or other penal/correctional facility and (2) SSI payments if they have been confined in a public institution throughout any month.³

To encourage the timely reporting of inmate data that would allow SSA to suspend OASDI benefits and SSI payments to prisoners, the *Social Security Act* allows the Agency to make incentive payments to State and local correctional facilities.⁴ SSA is authorized to pay incentive payments to prisons when the information they provide leads to the suspension of OASDI benefits as follows:

- \$400 for information received within 30 days of confinement due to conviction or
- \$200 for information received after 30 days but within 90 days after confinement due to conviction.

Before August 9, 2018, SSA was authorized to pay \$400 for information received within 30 days of an SSI recipient's confinement and \$200 for information received after 30 days but within 90 days after confinement. Beginning August 9, 2018, as a result of the *Bipartisan Budget Act of 2018*,⁵ SSA is authorized to pay incentive payments to prisons when the information they provide leads to the suspension of SSI payments as follows:

¹ *Social Security Act*, 42 U.S.C. § 402(a)-(h) (govinfo.gov 2017).

² *Social Security Act*, 42 U.S.C. § 1382(a) (govinfo.gov 2017).

³ *Social Security Act*, 42 U.S.C. §§ 402(x)(1)(A)(i), 1382(e)(1)(A) (govinfo.gov 2017).

⁴ *Social Security Act*, 42 U.S.C. §§ 402(x)(3)(B)(i), 1382(e)(1)(I)(i) (govinfo.gov 2017).

⁵ *Bipartisan Budget Act of 2018*, Pub. L. No. 115-123 § 53118, 132 Stat. 64, p. 307 amended section 1611(e)(1)(I)(i)(II) of the *Social Security Act* to change the time (from 30 to 15 days) by which a participating incentive payment reporter must send in the inmate data to receive the maximum SSI incentive payment. The effective date of this amendment was August 9, 2018. *Social Security Act*, 42 U.S.C. § 1382(e)(1)(I)(i)(II) (govinfo.gov 2017).

- \$400 for information received within 15 days of the confinement or
- \$200 for information received after 15 days but within 90 days after confinement.

SSA is not authorized to issue incentive payments for information received on or after the 91st day of an OASDI beneficiary's confinement because of conviction or an SSI recipient's confinement. See Appendix A for additional background information.

Our 2004, 2009, and 2014 reports on prisoner incentive payments⁶ identified incentive payments that SSA paid incorrectly. To conduct this review, we identified 452,746 incentive payments, totaling \$167 million, SSA paid correctional facilities from March 2014 through April 2019 for inmate data. We randomly selected 275 incentive payments from this population for detailed analysis. See Appendix B for additional information on our scope and methodology and Appendix C for information on our prior reports.

RESULTS OF REVIEW

We estimate SSA incorrectly issued approximately 77,000 incentive payments totaling \$25 million.⁷ Of the \$25 million, SSA erroneously paid approximately \$21 million because, generally, the beneficiaries did not meet the criteria for suspension.⁸ SSA improperly paid the remaining \$4 million to correctional facilities because SSA did not receive the information within the timeframe established by law, but it did receive the information within the timeframe SSA implemented.⁹ These incorrect payments occurred before SSA corrected this issue in March 2016.¹⁰

SSA updated its system and, as a result, issued incentive payments in compliance with the timeframes specified by the *Social Security Act*. SSA also successfully updated its system to pay incentives for the SSI program from 30 to 15 days based on the *Bipartisan Budget Act of 2018*.

⁶ SSA, OIG, *The Social Security Administration's Prisoner Incentive Payment Program, A-01-04-24067* (July 2004); *Follow-up on the Social Security Administration's Prisoner Incentive Payment Program, A-01-09-19029* (August 2009); *The Social Security Administration's Prisoner Incentive Payment Program, A-01-14-24100* (December 2014).

⁷ The estimated \$25 million incorrectly paid is 15 percent of the \$167 million total in incentive payments made from March 2014 through April 2019.

⁸ *Social Security Act*, 42 U.S.C. §§ 402(x)(1)(A)(i), 1382(e)(1)(A) (govinfo.gov 2017).

⁹ See Appendix B, Table B–2, Table B–3, and Table B–4.

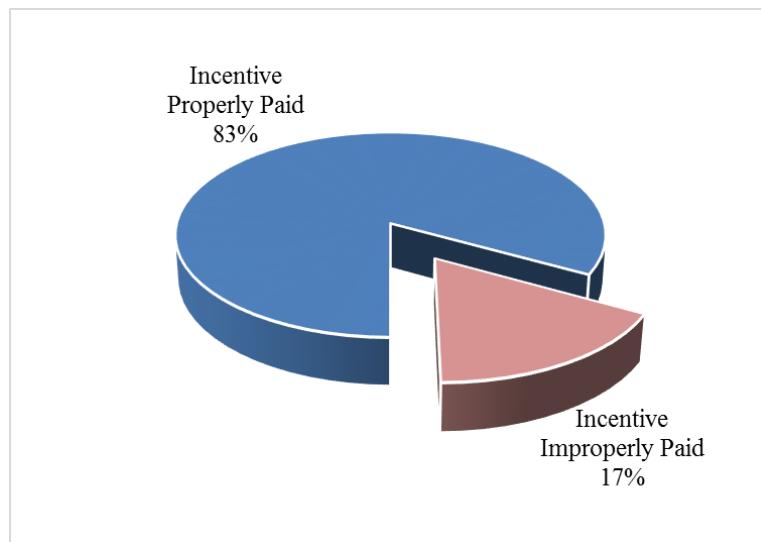
¹⁰ For more information on this issue and the actions SSA took to address it, see Incentive Payments Not Made in Accordance with the Timeframes in the Social Security Act on page 6 of this report.

Sample Results

Our review of 275 incentive payments found

- 228 (83 percent) were properly paid¹¹ and
- 47 (17 percent), totaling \$15,200, were improperly paid:
 - 34, totaling \$12,600,¹² were erroneously paid because, generally, the criteria to suspend OASDI benefits or SSI payments were not met (see Table 1) and
 - 13, totaling \$2,600,¹³ were improperly paid because SSA did not receive the information within the timeframe established by law but within the timeframe implemented by SSA (before SSA's March 2016 systems update).¹⁴

Figure 1: Sample Results



¹¹ In three cases, the correctional facilities were paid less than they were due based on the timeliness of their reports. These cases are included with the properly paid cases to be consistent with the analysis in our prior reports.

¹² Of the \$12,600, \$3,200 was from the OASDI program and \$9,400 was from the -SSI program.

¹³ Of the \$2,600, \$1,000 was from the OASDI program and \$1,600 was from the SSI program.

¹⁴ See Footnote 10.

Incentive Payments Issued Erroneously

In 34 sample cases, SSA erroneously paid \$12,600 in incentive payments to correctional facilities, see Table 1.

Table 1: Reasons for Erroneous Payments

Reason	Number of Cases	Amount of Incorrect Incentives Paid	Portion of Incorrect Cases
Criteria for suspension not met	31	\$11,800	91%
Reports not received in established timeframe	2	\$600	6%
Incentive paid to wrong facility	1	\$200	3%
Total	34	\$12,600	100%

When SSA suspends OASDI or SSI payments because the beneficiary is in prison, the Agency issues an incentive payment to the correctional facility on the first business day of the following month.¹⁵ After SSA initially suspends benefits, it may find the suspension criteria were not met because the beneficiary was (a) incorrectly identified as an inmate or (b) released before serving a full calendar month for SSI or confined because of conviction or court order for fewer than 30 consecutive days for OASDI. SSA should stop the release of the incentive payment in these cases. To do this, the Agency must manually update the incentive payment system with a release date.¹⁶ If SSA pays an incentive when the criteria for suspension were not met, or pays an incentive to the wrong facility, the Agency should ask the correctional facility to return the payment.¹⁷ If SSA does not successfully recover the incorrectly paid incentive, it will not pursue collection further.¹⁸ According to SSA, its Prisoner Update Processing System does not have the functionality or capability to determine whether a facility received an incorrectly paid incentive payment and then reduce any future incentive payments to recover the incorrectly paid incentive.

Criteria for Suspension Not Met

In 31 cases, the beneficiaries did not meet the criteria for suspension and therefore SSA improperly paid \$11,800 in incentive payments. In nine of these cases, the improper payments would have been prevented had SSA timely updated the incentive payment systems with information showing the criteria for suspension were not met.

¹⁵ SSA, *POMS*, GN 02607.800, C.1 (August 7, 2018).

¹⁶ SSA, *POMS*, GN 02607.800, C.2 (August 7, 2018).

¹⁷ SSA, *POMS*, GN 02607.832 (March 2, 2017). SSA initially issued the POMS instructions for this process on September 7, 2016 and issued revised instructions on September 26, 2016.

¹⁸ SSA, *POMS*, GN 02607.832, D.2 (March 2, 2017).

- In one case, SSA received a report on April 3, 2014 that an OASDI beneficiary was incarcerated on March 5, 2014. The Agency did not suspend the benefits at that time because the report did not include a conviction date. On August 4, 2014, SSA received a report from the correctional facility that the beneficiary had been convicted and was released from the facility on July 30, 2014. Since the incarceration period because of conviction did not last longer than 30 consecutive days, benefits should not have been suspended.¹⁹ However, SSA paid the correctional facility a \$400 incentive payment on October 1, 2014 because an SSA employee failed to update the system with the recipient's release date before the payment was made. This improper payment would have been prevented had SSA's payment system been timely updated.
- In another case, SSA received a report on February 1, 2017 that a recipient was incarcerated as of January 23, 2017. The Agency suspended the recipient's SSI payments for February and March 2017 and issued the correctional facility a \$400 incentive payment on March 1, 2017. On March 15, 2017, SSA issued the recipient a notice stating it had learned the recipient was released from the facility without being confined for a full calendar month, and payments should not have been suspended. Since SSA staff did not post the release date to the incentive payment system and reinstated the recipient's SSI payments after the Agency released the incentive payment, it was too late to cancel the incentive payment.

Reports Not Received in Established Timeframe

In two cases, SSA improperly paid correctional facilities \$600 although it did not receive the information within the timeframe established by law or implemented by the Agency. SSA reviewed these cases and agreed they were incorrectly paid but did not provide a reason. Examples follow.

- SSA made a \$400 incentive payment to a correctional facility for information it received longer than 1 year after the confinement date. The Agency received a report on October 5, 2015 that a recipient was incarcerated as of September 28, 2015. However, after calling the facility to confirm this information, SSA found the correct incarceration date was September 10, 2014. SSA staff corrected the confinement date in the incentive payment system on October 19, 2015. However, SSA paid a \$400 incentive to this facility on December 1, 2015 although no incentive was due.
- SSA made another \$400 incentive payment, for a reported incarceration on May 5, 2016 that it received on July 1, 2016. Because SSA received this report 57 days after confinement, it should have paid \$200 for this report. We could not determine why SSA issued this improper payment.

¹⁹ The *Social Security Act* requires that OASDI benefits be suspended if the beneficiary has been convicted and incarcerated for a period of longer than 30 days in a jail, prison, or other penal/correctional facility. See *Social Security Act*, 42 U.S.C. §§ 402(x)(1)(A)(i) (govinfo.gov 2017).

Incentive Paid to Wrong Facility

In one case, SSA received a report on November 7, 2018 that a beneficiary was incarcerated because of conviction on October 4, 2018, which lead to the suspension of benefits. A second correctional facility reported the inmate's transfer in November 2018. SSA did not pay the facility that first reported the incarceration. Instead, it paid the second facility \$200 for the report of the transfer. SSA reviewed this case and agreed the first correctional facility was due \$200 for information that lead to the suspension of benefits received 34 days after confinement, and the second facility was improperly paid.

Prior OIG Recommendations

In our 2004 report, we recommended SSA "Provide refresher training to employees to reduce the number of erroneous incentive payments due to clerical errors."²⁰ SSA agreed and stated

Most erroneous incentive payment errors can be eliminated by performing the required verifications prior to taking an action. However, there will always be unexpected releases of confined individuals or inaccurate information from reporters. Occurrences such as these could result in occasional erroneous incentive payments being made. We will provide refresher training to SSA staff to emphasize the correct development and suspension instructions for processing prisoner suspensions."²¹

Additionally, in our 2014 report, we recommended SSA "Reinforce established procedures regarding the proper development of incarcerated beneficiaries or recipients and recoup erroneous incentive payments to correctional facilities."²² SSA agreed and noted it would "... issue policy instructions to our staff to reinforce our procedures for proper development of incarcerated beneficiaries ... [and] will strengthen our current process to track and recoup erroneous incentive payments."²³ SSA issued detailed guidance on this topic in September 2016, including a new form to facilitate the recouping process.²⁴ However, we still identified erroneous payments that could have been prevented.

²⁰ SSA, OIG, *The Social Security Administration's Prisoner Incentive Payment Program*, A-01-04-24067, p. 5 (July 2004).

²¹ SSA, OIG, *The Social Security Administration's Prisoner Incentive Payment Program*, A-01-04-24067, p. D-3 (July 2004).

²² SSA, OIG, *The Social Security Administration's Prisoner Incentive Payment Program*, A-01-14-24100, p. 6 (December 2014).

²³ SSA, OIG, *The Social Security Administration's Prisoner Incentive Payment Program*, A-01-14-24100, p. C-2 (December 2014).

²⁴ SSA, POMS, GN 02607.832 (March 2, 2017).

Incentive Payments Not Made in Accordance with the Timeframes in the Social Security Act

The laws that amended the *Social Security Act*²⁵ to establish incentive payments included timeframes for the issuance and amount of payments. However, when SSA implemented the incentive payment process, it established payment criteria inconsistent with those laws. As a result, SSA improperly paid 13 incentive payments, totaling \$2,600, in our sample for reports received between March 2014 and March 2016 because it did not receive the information within the timeframe established by law, but it was received within the timeframe implemented by SSA.

For example, SSA received a report from a facility on January 26, 2015 showing that an SSI recipient was confined on December 8, 2014 (49 days from confinement to the day SSA received the information). SSA issued a \$400 incentive payment on March 2, 2015, as SSA received the prisoner information before the end of the month following the month of confinement. SSA should have only paid \$200, not \$400, for information it received 49 days after confinement and therefore the facility was improperly paid \$200.

Prior OIG Recommendations

In our three previous reports on prisoner incentive payments,²⁶ we recommended that SSA modify its system to pay incentive payments consistent with the *Social Security Act*.²⁷ In response to the recommendation in our 2014 report, SSA stated that “In calendar year (CY) 2015, we will begin planning and analysis for an information technology project to modify our Prisoner Update Processing System to pay incentive payments consistent with the *Social Security Act*.²⁸ Accordingly, on March 26, 2016, SSA updated its system to revise how the prisoner incentive payment is calculated, bringing the calculations in line with the timeframes in the *Social Security Act*. In our sample of 275 incentive payments, 154 were issued after the March 2016 update; 153 of the 154 were paid in compliance with the timeframes prescribed by the *Social Security Act*.

²⁵ *Ticket to Work and Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170, § 402, 113 Stat. 1860, p. 1907 and the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Pub. L. No. 104-193, § 203, 110 Stat. 2105, pp. 2186 and 2187.

²⁶ SSA, OIG, *The Social Security Administration’s Prisoner Incentive Payment Program, A-01-04-24067* (July 2004); *Follow-up on the Social Security Administration’s Prisoner Incentive Payment Program, A-01-09-19029*, (August 2009); *The Social Security Administration’s Prisoner Incentive Payment Program, A-01-14-24100* (December 2014).

²⁷ *Social Security Act*, 42 U.S.C. §§ 402(x)(3)(B)(i), 1382(e)(1)(I)(i) (govinfo.gov 2017).

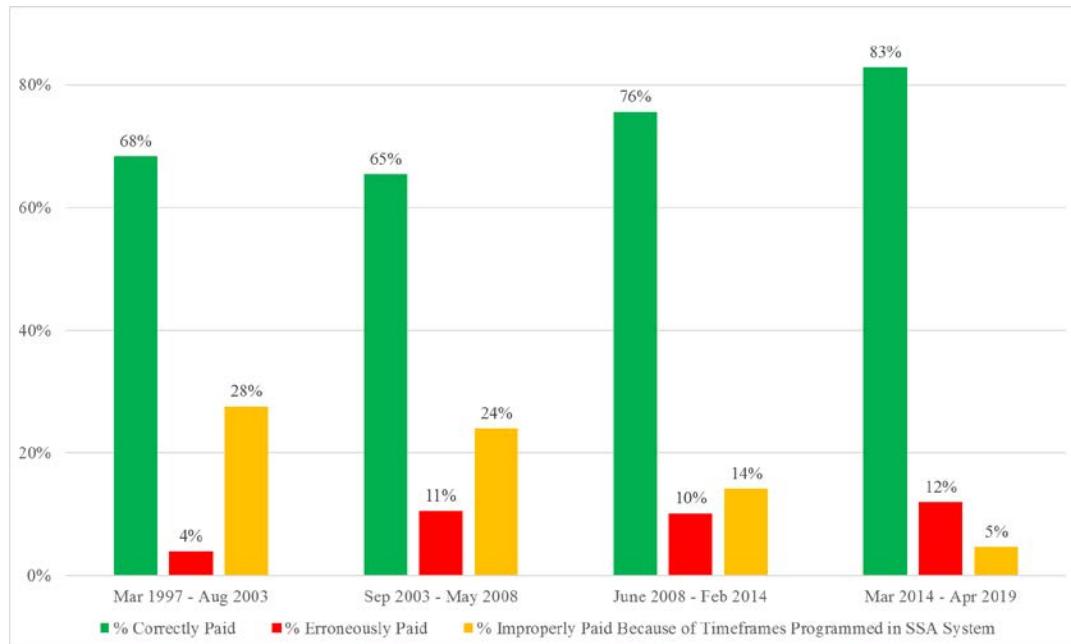
²⁸ SSA, OIG, *The Social Security Administration’s Prisoner Incentive Payment Program, A-01-14-24100*, p. C-2 (December 2014).

Comparison of Current and Prior Audit Findings

SSA has improved the accuracy of its incentive payments—from 68 percent in our 2004 report to 83 percent in our current audit (see Figure 2). The Figure also shows SSA’s improvement in paying incentives to correctional facilities in accordance with the timeframes in the *Social Security Act*. Specifically, in our 2004 report, 28 percent of incentives the Agency paid were inaccurate because SSA programmed its system to pay them within timeframes that were inconsistent with the *Social Security Act*. This decreased to 5 percent in our current review, which covered incentives paid from March 2014 through April 2019.²⁹ However, Figure 2 shows no improvement (over the period of our four audits) in erroneous incentive payments because (a) OASDI or SSI suspension criteria were not met, (b) SSA staff did not follow procedures to verify the identity of the inmate before issuing the incentive payment and the inmate was not correctly identified, or (c) the incentive payment was made to the wrong facility. Specifically, in our 2004 report, we noted that 4 percent of incentive payments were erroneous. This increased to 11 percent in our 2009 report, decreased to 10 percent in our 2014 report, and increased to 12 percent in our current review. For more details, see Appendix C.

²⁹ SSA updated its system on March 26, 2016 to pay incentives in accordance with the timeframes in the *Social Security Act*.

Figure 2: Comparison of Current and Prior Audit Findings³⁰



AGENCY ACTION RESULTING FROM THE AUDIT

In December 2019, SSA sent letters (Form SSA-L4020) to the correctional facilities requesting that they return the incorrect incentive payments identified in our sample.

CONCLUSIONS

Since our prior reports, SSA has improved its compliance with the prisoner incentive payment provisions in the *Social Security Act*. SSA has corrected its incentive payment process and is now issuing payments in compliance with the timeframe specified by the *Social Security Act*. SSA has also successfully integrated the 2018 legislative change in the timeframe for incentive payments due to correctional facilities for reports on SSI recipients. However, SSA still made some erroneous incentive payments.

³⁰ Our 2004 report covered incentive payments issued from March 1997 through August 2003. Our 2009 report covered payments issued from September 2003 through May 2008. Our 2014 report covered payments issued from June 2008 through February 2014. Our current review covered payments issued from March 2014 through April 2019.

RECOMMENDATION

We recommend that SSA reinforce established procedures regarding proper development of incarcerated beneficiaries and recoupment of erroneous incentive payments to correctional facilities.

AGENCY COMMENTS

SSA agreed with the recommendation, see Appendix D.

A handwritten signature in black ink, appearing to read "Rona Lawson".

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – BACKGROUND ON PRISON INCENTIVE PAYMENTS

The Old-Age, Survivors and Disability Insurance Program

Section 402 of the *Ticket to Work and Work Incentives Improvement Act of 1999*¹ amended section 202(x)(3) of the *Social Security Act* to provide for incentive payments from Old-Age, Survivors and Disability Insurance (OASDI) program funds to State and local correctional institutions and certain mental health institutions that report inmate information to the Social Security Administration (SSA). The law authorized payment to an institution for information about an inmate if the inmate was receiving an OASDI benefit for the month that preceded the first month in which the inmate was in the institution and became ineligible for such benefit.

Effective April 1, 2000, this law authorized SSA to pay the OASDI incentive payment in the following amounts:

- \$400 for information received within 30 days after the individual's date of confinement for conviction;
- \$200 for information received after 30 days but within 90 days after the individual's date of confinement for conviction; or
- \$0 for information received on or after the 91st day following the individual's date of confinement for conviction.

The Supplemental Security Income Program

Section 203 of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*² amended section 1611(e)(1) of the *Social Security Act* to provide for incentive payments from Supplemental Security Income (SSI) program funds to State and local correctional institutions and certain mental health institutions that report inmate information to SSA. The law authorized payment to an institution for information about an inmate if the inmate was receiving an SSI payment for the month that preceded the first month throughout which the inmate was in the institution and became ineligible for such benefit.

¹ *Ticket to Work and Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170, § 402, 113 Stat. 1860, p. 1907.

² *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Pub. L. No. 104-193, § 203, 110 Stat. 2105, pp. 2186 and 2187.

From March 1, 1997 through August 8, 2018, this law authorized SSA to pay the SSI incentive payment in the following amounts:

- \$400 for information received within 30 days after the individual's date of confinement;
- \$200 for information received after 30 days, but within 90 days, after the individual's date of confinement; or
- \$0 for information received on or after the 91st day following the individual's date of confinement.

The *Bipartisan Budget Act of 2018*³ amended section 1611(e)(1)(I)(ii) of the *Social Security Act* to change the time from 30 to 15 days for SSI incentive payments. As of August 9, 2018, SSA is authorized to pay incentive payments to prisons when the information they provide leads to the suspension of SSI payments to recipients, as follows:

- \$400 for information received within 15 days after confinement;
- \$200 for information received after 15 days but within 90 days after confinement; or
- \$0 for information received on or after the 91st day following the individual's date of confinement.

SSA's Processing of Prisoner Data

SSA receives reports of beneficiary and recipient confinements from various sources. For example, beneficiaries and recipients may self-report their confinement or interested third parties (such as representative payees⁴ and legal guardians) may report their confinement. In addition, Federal, State, and local correctional institutions and mental health facilities send inmate reports to SSA electronically. If a facility can produce a file in the approved SSA reporting format and has Internet access, they can submit their reports electronically via the Government to Government Services Online Website. This method allows SSA's Prisoner Update Processing System to automatically establish a pending record and generates a Prisoner Update Processing System alert to either the SSA field office or processing center for further action. Facilities fax or mail paper listings to SSA field offices if they cannot submit information electronically. SSA field offices either convert the paper inmate reports into the approved reporting format and transmit that data electronically, or manually enter inmate information into the Prisoner Update Processing System.

³ *Bipartisan Budget Act of 2018*, Pub. L. No. 115-123 § 53118, 132 Stat. 64, p. 307.

⁴ Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. Congress provided for payment to be made through representative payees who receive and manage the benefit payments for these beneficiaries and recipients. *Social Security Act*, 42 U.S.C. §§ 405(j), 1383(a)(2) (govinfo.gov 2017).

Appendix B – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and other relevant legislation as well as the Social Security Administration’s (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Obtained a file from SSA’s Prisoner Update Processing System of 452,746 incentive payments, totaling \$167 million, made from March 2014 through April 2019.
- Randomly sampled 275 cases from the population of 452,746. For each sample case, we reviewed the Master Beneficiary and/or Supplemental Security Record and SSA’s prisoner system information related to the incentive payment. We analyzed the information to determine whether the incentive payments were appropriate according to the provisions in the *Social Security Act*. Additionally, for cases in which we could not determine whether incentive payments should have been made, we asked SSA to determine whether the payments were correct. We also checked SSA’s records to determine whether it took action to recoup erroneous payments.

We conducted our audit between August and December 2019 in Boston, Massachusetts. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. The principal entities audited were the Office of Income Security Programs under the Office of the Deputy Commissioner for Retirement and Disability Policy and SSA’s field offices and processing service centers under the Office of the Deputy Commissioner for Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sample Results and Projections

Table B–1: Population and Sample Size

Description	Number
Population	452,746
Sample Size	275

Table B–2: All Incentive Payments Paid Incorrectly

	Number of Cases	Dollars
Sample Cases	47	\$15,200
Point Estimate	77,378	\$25,024,506
Projection Lower Limit	60,918	\$19,239,000
Projection Upper Limit	96,284	\$30,810,013

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

Table B–3: Incentive Payments Issued Erroneously

	Number of Cases	Dollars
Sample Cases	34	\$12,600
Point Estimate	55,976	\$20,743,999
Projection Lower Limit	41,805	\$15,125,489
Projection Upper Limit	72,965	\$26,362,508

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

**Table B–4: Incentive Payments Not Made
in Accordance with the Timeframes in the *Social Security Act***

	Number of Cases	Dollars
Sample Cases	13	\$2,600
Point Estimate	21,403	\$4,280,508
Projection Lower Limit	12,763	\$2,365,083
Projection Upper Limit	33,548	\$6,195,933

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

Appendix C – COMPARISON WITH PRIOR AUDITS

Prior Audits on the Agency’s Prisoner Incentive Program

We have issued three prior reports on the Social Security Administration’s (SSA) prisoner incentive program.

- In July 2004, we issued *The Social Security Administration’s Prisoner Incentive Payment Program, A-01-04-24067*. We identified 272,656 incentive payments, totaling \$99.58 million, made from March 1997 through August 2003 to prisons for inmate data. We randomly selected 250 cases from this population for further review. Based on our sample, we estimated SSA incorrectly issued approximately 86,000 incentive payments totaling \$18.97 million.
- In August 2009, we issued *Follow-up on the Social Security Administration’s Prisoner Incentive Payment Program, A-01-09-19029*. We identified 346,970 incentive payments, totaling \$129.4 million, made from September 2003 through May 2008 to prisons for inmate data. We randomly selected 275 cases from this population for further review. Based on our sample, we estimated SSA incorrectly issued approximately 119,862 incentive payments totaling \$30.3 million.
- In December 2014, we issued *The Social Security Administration’s Prisoner Incentive Payment Program, A-01-14-24100*. In this audit, we identified 527,447 incentive payments, totaling \$199 million, made from June 2008 through February 2014 to prisons for inmate data. We randomly selected 275 cases from this population for further review. Based on our sample, we estimated SSA incorrectly issued approximately 128,500 incentive payments totaling \$35.3 million.

Summary of Audit Sample Results

Table C–1 shows that, since our 2009 report, SSA had improved its percentage of correct incentive payments from 65 to 83 percent.

Table C–1: Summary of Incentive Payments Issued Correctly

Audit	Timeframe	Sample Size	Number of Cases	Portion
2004 report	March 1997 - August 2003	250	171	68%
2009 report	September 2003 - May 2008	275	180	65%
2014 report	June 2008 - February 2014	275	208	76%
2019 report (current report)	March 2014 - April 2019	275	228	83%

Table C–2 shows no improvement over our four audits in the percentage of erroneous incentive payments because (a) benefit suspension criteria was not met,¹ (b) SSA staff did not follow procedures to verify the identity of the inmate before issuing the incentive payment and the inmate was not correctly identified, or (c) the incentive payment was made to the wrong facility. In our 2014 report, we recommended SSA reinforce established procedures regarding proper development of incarcerated beneficiaries and recoup erroneous incentive payments to correctional facilities. SSA agreed with this recommendation and issued detailed guidance on this topic in September 2016, including a new form to facilitate the recoupment process.² However, as shown in Table C–2, SSA has not made progress in reducing these types of erroneous incentive payments, which generally require manual actions by staff.

Table C–2: Summary of Incentive Payments Issued Erroneously

Audit	Timeframe	Sample Size	Number of Cases	Portion
2004 report	March 1997 - August 2003	250	10	4%
2009 report	September 2003 - May 2008	275	29	11%
2014 report	June 2008 - February 2014	275	28	10%
2019 report (current report)	March 2014 - April 2019	275	34	12%

Table C–3 shows decreasing percentages of incentive payments incorrectly paid because of how SSA programmed its system to calculate the incentive payment. In our three prior audits, we found the programming of SSA’s payment system was inconsistent with the provisions in the *Social Security Act*,³ resulting in improper payments. We recommended SSA change its system, and SSA agreed there was a discrepancy between the law and SSA’s implementation of the law that needed resolution. SSA initially asserted that compliance with the law would create a hardship for the correctional facilities, potentially discouraging participation in the program. However, in response to our 2014 report, SSA updated its system on March 26, 2016 to revise how the prisoner incentive payment is calculated, bringing the calculations in line with the *Social Security Act*. Our current audit included incentive payments made before and after the March 2016 systems update. Only one incentive payment was not paid in compliance with the timeframes prescribed by the *Social Security Act* after the systems update. SSA reviewed this case and agreed the payment was incorrect, but did not indicate why it made the payment.

¹ The *Social Security Act* prohibits the payment of benefits to individuals receiving (1) OASDI benefits who have been convicted and incarcerated for a period of more than 30 days in a jail, prison, or other penal/correctional facility and (2) SSI payments who have been confined in a public institution throughout any month. *Social Security Act*, 42 U.S.C. §§ 402(x)(1)(A)(i), 1382(e)(1)(A) (govinfo.gov 2017).

² SSA, *POMS*, GN 02607.832 (March 2, 2017). SSA initially issued the POMS instructions for this process on September 7, 2016 and issued revised instructions on September 26, 2016.

³ *Social Security Act*, 42 U.S.C. §§ 402(x)(3)(B)(i), 1382(e)(1)(I)(i) (govinfo.gov 2017).

**Table C–3: Summary of Incentive Payments
That Were Not Made in Accordance with the *Social Security Act*
Because of How SSA Programmed its Systems to Pay the Facilities**

Audit	Timeframe	Sample Size	Number of Cases	Portion
2004 report	March 1997 - August 2003	250	69	28%
2009 report	September 2003 - May 2008	275	66	24%
2014 report	June 2008 - February 2014	275	39	14%
2019 report (current report)	March 2014 - April 2019	275	13 ⁴	5%

⁴ On March 26, 2016, SSA updated its system to revise how the prisoner incentive payment is calculated, bringing the calculations in line with the timeframes in the *Social Security Act*.

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 18, 2019 Refer To: S1J-3

To: Gail S. Ennis
Inspector General

Stephanie Hall

From: Stephanie Hall
Chief of Staff

Subject: Office of the Inspector General Draft Report “Follow-Up on Prisoner Incentive Payments” (A-01-19-50851) --INFORMATION

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

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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