

*Audit Report*

Payments to Individuals Incarcerated  
in California Department of  
Corrections and Rehabilitation  
Facilities

A-06-18-50574 / October 2018

**MEMORANDUM**

**Date:** October 24, 2018 **Refer To:**

**To:** The Commissioner

**From:** Acting Inspector General

**Subject:** Payments to Individuals Incarcerated in California Department of Corrections and Rehabilitation Facilities (A-06-18-50574)

The attached final report presents the results of the Office of Audit's review. The objectives were to identify individuals who improperly received payments while incarcerated in California Department of Corrections and Rehabilitation facilities and determine why these individuals' payments were not timely suspended.

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



Gale Stallworth Stone

Attachment

# Payments to Individuals Incarcerated in California Department of Corrections and Rehabilitation Facilities

## A-06-18-50574



October 2018

Office of Audit Report Summary

### Objectives

To identify individuals who improperly received payments while incarcerated in California Department of Corrections and Rehabilitation (CDCR) facilities and determine why these individuals' payments were not timely suspended.

### Background

The *Social Security Act* generally prohibits payments to individuals confined to a jail, prison, or certain other public institutions for committing a crime.

In October 2016, we obtained data from the CDCR that identified the personally identifiable information of approximately 188,000 prisoners incarcerated in California correctional facilities. We matched the file against Social Security payment records to identify inmates who may have improperly received payments while incarcerated.

### Findings

We identified 123 inmates who received approximately \$3.5 million in improper payments while they were incarcerated in CDCR facilities.

- In 49 cases, the Social Security Administration's (SSA) Prisoner Update Processing System (PUPS) did not contain the inmates' most recent confinement information. We did not determine whether prison facilities reported the confinement information to SSA and could not otherwise explain why the confinement information did not appear in SSA's records.
- In 74 cases, PUPS contained the inmates' confinement information; however, SSA did not suspend the benefit payments. For these cases, SSA's systems should have alerted Agency staff to suspend the benefits. We did not determine whether the alerts failed to generate or SSA staff failed to act on the alerts.

We notified San Francisco Region Operations personnel about these cases, and they confirmed the inmates' confinement status; suspended payments to the inmates; and established, or were establishing, approximately \$3.5 million in overpayments for these inmates. Identification and correction of these discrepancies prevented approximately \$808,000 in additional overpayments over a 12-month period.

### Conclusion

Because SSA corrected, or was correcting, these cases and was evaluating the feasibility of obtaining and periodically processing prisoner census files to stop improper payments, we are not making any recommendations in this report.

SSA stated it will continue to renegotiate prisoner reporting agreements to obtain more inmate records from correctional and mental health facilities.

## TABLE OF CONTENTS

Objective .....	1
Background .....	1
Results of Review .....	2
Current Confinement Not Recorded in PUPS .....	3
Confinement Dates Recorded in PUPS.....	3
Conclusion .....	4
Other Matters .....	4
Agency Comments.....	5
Appendix A – Scope and Methodology .....	A-1
Appendix B – Agency Comments .....	B-1

## **ABBREVIATIONS**

CDCR	California Department of Corrections and Rehabilitation
EVS	Enumeration Verification System
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
PUPS	Prisoner Update Processing System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
U.S.C.	United States Code

## OBJECTIVE

Our objectives were to identify individuals who improperly received payments while incarcerated in California Department of Corrections and Rehabilitation (CDCR) facilities and determine why these individuals' payments were not timely suspended.

## BACKGROUND

The Old-Age, Survivors and Disability Insurance (OASDI) program provides payments to wage earners and their families in the event the wage earner retires, becomes disabled, or dies.<sup>1</sup> The Supplemental Security Income (SSI) program provides payments to financially needy individuals who are aged, blind, or disabled.<sup>2</sup> Federal law prohibits payments to incarcerated individuals under the following circumstances.

- OASDI beneficiaries are ineligible for payments when they are confined for longer than 30 days in a correctional or mental health institution pursuant to conviction for a criminal offense.<sup>3</sup>
- SSI recipients are ineligible for payments for any month in which they are inmates in a public institution for a full calendar month.<sup>4</sup>

Federal, State, and local correctional institutions electronically send inmate reports to either the Social Security Administration's (SSA) Office of Telecommunications or Systems Operations, or to their local field office. In addition, field offices may receive inmate reports from a beneficiary,<sup>5</sup> recipient, representative payee, or legal guardian.

SSA developed automated systems to receive, process, control, and monitor inmate information and suspend payments through an automated matching operation. The Prisoner Update Processing System (PUPS) maintains reported inmate information; generates and controls prisoner alerts; suspends OASDI and SSI payments, when possible; calculates incentive payments to prisons; and records benefit and recipient reinstements.<sup>6</sup>

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<sup>1</sup> *Social Security Act*, 42 U.S.C. §§ 402(a-h) (govinfo.gov 2016).

<sup>2</sup> *Social Security Act*, 42 U.S.C. § 1382(a) (govinfo.gov 2016).

<sup>3</sup> *Social Security Act*, 42 U.S.C. § 402(x)(1) (govinfo.gov 2016).

<sup>4</sup> *Social Security Act*, 42 U.S.C. § 1382(e)(1) (govinfo.gov 2016).

<sup>5</sup> Throughout the report, we refer to both OASDI beneficiaries and SSI recipients as "beneficiaries."

<sup>6</sup> SSA, POMS, GN 02607.410, A.2 (June 19, 2015).

SSA enters into agreements with correctional facilities to obtain prisoner information.<sup>7</sup> The Agency issues incentive payments when timely reports result in suspension of inmates' payment(s) from SSA.<sup>8</sup> SSA reduces or eliminates incentive payments when it receives prisoner information longer than 30 days after an inmate is confined. In Fiscal Year 2017, timely receipt of PUPS confinement information from California prison facilities resulted in the suspension of 698 prisoners' SSA payments. As a result, SSA issued these facilities approximately \$258,000 in incentive payments.

In October 2016, we received data from the CDCR that included the personally identifiable information of approximately 188,000 prisoners incarcerated in California correctional facilities as of September 30, 2016. The data included 133,385 prisoners' Social Security numbers (SSN). We matched the data against SSA payment records to identify inmates who may have improperly received SSA payments while incarcerated. For more information on our scope and methodology, see Appendix A.

## RESULTS OF REVIEW

We identified 123 inmates<sup>9</sup> who received approximately \$3.5 million in improper payments<sup>10</sup> while incarcerated. Controls designed to prevent payments to prisoners were not effective in these instances.

- PUPS did not contain 49 inmates' most recent confinement information. SSA issued these inmates approximately \$1.2 million in improper payments while incarcerated.
- PUPS contained accurate beneficiary confinement information for 74 prisoners; however, SSA did not suspend the prisoners' payments. SSA issued these inmates approximately \$2.3 million in improper payments while they were incarcerated.

We notified San Francisco Region Operations employees about these cases, and they confirmed the inmates' confinement status; suspended payments to the inmates; and established, or were establishing, approximately \$3.5 million in overpayments. Identification and correction of these discrepancies prevented approximately \$808,000 in additional overpayments over a 12-month period.

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<sup>7</sup> *Social Security Act*, 42 U.S.C. §§ 402(x)(3)(B) (govinfo.gov 2016) and 1382(e)(1)(I) (govinfo.gov 2016).

<sup>8</sup> SSA, POMS, GN 02607.800, B.3 (November 17, 2014).

<sup>9</sup> We referred 145 individuals to SSA Operations. In 22 cases, SSA determined the beneficiary and the inmate were not the same person.

<sup>10</sup> This included approximately \$2.8 million in OASDI benefits and \$700,000 in SSI payments.

## **Current Confinement Not Recorded in PUPS**

SSA issued approximately \$1.2 million in improper payments to 49 prisoners because PUPS did not contain their most recent confinement information.

- PUPS did not indicate that 18 beneficiaries had *ever* been incarcerated. For example, according to CDCR, an individual incarcerated in a California State prison in November 2004 was not scheduled to be released from prison until March 2030. However, in January 2012, SSA approved a retirement claim apparently filed by this prisoner. Because PUPS did not contain a record of the individual's incarceration, SSA approved the retirement claim. SSA referred this case to our Office of Investigations. We estimate SSA issued \$90,208 in improper payments before it suspended the benefits in July 2018.
- PUPS records listed 1 or more prison confinements for the 31 beneficiaries; however, none of the PUPS records listed the most recent confinement provided by CDCR. For example, a retirement beneficiary was incarcerated in November 2008. According to CDCR, the prisoner was not expected to be released from prison until April 2020. The beneficiary's PUPS record did not reference the November 2008 confinement. SSA determined it issued \$93,528 in improper payments before it suspended the benefits in December 2017.

We did not determine whether prison facilities reported current confinement information to SSA and could not otherwise explain why current confinement information did not appear in SSA's records. The incomplete confinement information provided the false appearance that these beneficiaries were not in prison. As a result, the beneficiaries received payments to which they were not entitled. Identification and correction of these discrepancies prevented approximately \$341,000 in additional overpayments over a 12-month period.

## **Confinement Dates Recorded in PUPS**

SSA issued approximately \$2.3 million in improper payments to 74 prisoners who had current confinement and conviction dates recorded in PUPS.

- In 30 cases, available records indicated SSA employees were aware of the beneficiaries' confinement but did not take appropriate corrective action. For example, a retirement beneficiary was incarcerated in a California State prison since October 2006. This confinement was recorded in PUPS, and SSA initially suspended the beneficiary's payments. However, in December 2009, SSA erroneously resumed the monthly payments and issued a \$43,720 lump-sum payment that restored the previously suspended benefits. SSA informed us the beneficiary's sister acknowledged the beneficiary had been in prison since 2006 and confessed to receiving and transferring the funds to a foreign country. SSA referred this case to our Office of Investigations. We estimate SSA issued \$129,690 in improper payments before it suspended the payments in October 2017.
- In 44 cases, we found no documentation that SSA responded to timely receipt of beneficiary confinement information. For example, a retirement beneficiary was incarcerated in a California State prison in July 2007. In August 2007, the State reported the confinement to SSA; however, SSA did not suspend the benefit payments. SSA determined it issued this

beneficiary \$146,083 in improper payments before the State released him from prison in August 2017. As of the date of this review, SSA was withholding \$1,000 from the beneficiary's monthly retirement benefit payment and applying it toward the overpayment.

For these cases, SSA's systems should have alerted Agency staff to suspend the benefits. We do not know whether the alerts failed to generate or SSA staff failed to act on the alerts. Identification and correction of these discrepancies prevented approximately \$467,000 in additional overpayments over a 12-month period.

## CONCLUSION

We notified San Francisco Region Operations personnel about these cases, and they confirmed the inmates' confinement status; suspended payments to the inmates; and established, or were establishing, approximately \$3.5 million in overpayment. Identification and correction of these discrepancies prevented approximately \$808,000 in additional overpayments over a 12-month period.

In a 2016 audit report,<sup>11</sup> we recommended that SSA determine the feasibility of periodically performing data matches with States that have large prisoner populations to identify prisoners improperly receiving SSA payments. In response, SSA stated it formed an inter-component workgroup of PUPS subject matter experts that determined it was not currently feasible for SSA to obtain State prison census files. SSA stated that prisoner-reporting agreements with States did not provide it the authority to request and process inmate census files. SSA stated that, when it re-negotiates these agreements, it will test prison census files and determine whether it can effectively process the files and it is cost-effective to continue obtaining periodic census files to stop improper payments.

Because SSA corrected, or was correcting, these cases and was evaluating the feasibility of obtaining and periodically processing prisoner census files to stop improper payments, we did not make any recommendations.

## OTHER MATTERS

SSA's Enumeration Verification System (EVS) verifies an individual's SSN, name, date of birth, and gender by matching the information against corresponding SSA records. EVS assigns a verification code to indicate the degree to which the provided information matches SSA records.

We processed through EVS information on the 133,385 numberholders in the CDCR data file. As shown in Table 1, only 69 percent of the prisoners' personal information matched SSA records.

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<sup>11</sup> SSA, OIG, *Payments to Individuals Incarcerated in Texas Department of Criminal Justice Facilities*, A-06-15-50017 (August 2016).

**Table 1: Summary of EVS Match of Prisoner Information Against SSA Records**

EVS Verification Code Description	Number of Inmates	Percent
Match - SSN, name, and date of birth match SSA records	92,702	69
Partial Match - SSN and name match, but date of birth does not match SSA records	830	1
No Match - information does not match SSA records	39,853	30
<b>Total</b>	<b>133,385</b>	<b>100</b>

We did not determine why more than 40,000 prisoners' personal information did not match corresponding SSA records. It is possible CDCR data contained transposition or other data-related errors. However, it is also possible prison records included the prisoners' incorrect SSN, name, and/or date of birth information. Because a significant percentage of inmate information did not verify, the risk exists that inmates could receive SSA payments under one identity while being incarcerated under a different identity.

## AGENCY COMMENTS

SSA stated it will continue renegotiating prisoner-reporting agreements to obtain more inmate records from correctional and mental health facilities. SSA's comments are included in Appendix B.



Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

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

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To accomplish our objectives, we:

- Reviewed Federal law and regulations, SSA policies, and prior Office of the Inspector General and Government Accountability Office reports related to Social Security Administration (SSA) payments to inmates.
- Interviewed SSA program officials.
- Obtained a data file from the California Department of Corrections and Rehabilitation (CDCR) that contained information on 187,947 inmates incarcerated in California State prison facilities as of September 30, 2016. The data included 133,385 prisoners' Social Security numbers (SSN).
- Matched SSNs in the CDCR file against SSA's Supplemental Security and Master Beneficiary Records and identified SSNs belonging to beneficiaries who were in current payment status as of December 2016. For each SSN in current payment status, we compared the beneficiary's name and date of birth with the prisoner's name and date of birth. For each matched individual, we
  - confirmed confinement status through contact with CDCR and through review of available public records,
  - obtained Prisoner Update Processing System records,
  - quantified related overpayments, and
  - referred the information to San Francisco Regional Office officials.
- Processed 133,385 inmates' SSNs, first and last names, and dates of birth through SSA's Enumeration Verification System.

We conducted our audit from August 2017 to August 2018 in Dallas, Texas. We determined the data used for this audit were sufficiently reliable to meet our audit objective. The entities audited were the Offices of the Deputy Commissioners for Operations and Systems. 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **Appendix B – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

Date: October 15, 2018

Refer To: S1J-3

To: Gale S. Stone  
Acting Inspector General

*Stephanie Hall*

From: Stephanie Hall  
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Payments to Individuals Incarcerated in California Department of Corrections and Rehabilitation Facilities” (A-06-18-50574) -- INFORMATION

Thank you for the opportunity to review the draft report. We appreciate your acknowledgement of our actions on the error cases your audit team identified. We continue to renegotiate prisoner reporting agreements to enable us to obtain more inmate records from correctional and mental health facilities.

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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