
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

AUTOMATED ONE-TIME PAYMENTS

September 2008

A-06-08-18035

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

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

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

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

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: September 19, 2008 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Automated One-Time Payments (A-06-08-18035)

OBJECTIVE

Our objective was to determine whether automated one-time payments (A-OTP) were valid and properly authorized.

BACKGROUND

The Social Security Administration (SSA) prefers to provide Supplemental Security Income (SSI) recipients their payments through the regular systems process. However, routine processing is not always possible because of system limitations. In these instances, SSA bypasses the routine system to issue payments that could not otherwise be made. For example, SSA will issue an A-OTP to satisfy certain underpayments due a recipient, to issue excess refunds or conserved funds to a recipient or representative payee, or to pay surviving family members an amount due a deceased recipient. Our review of SSA payment data indicated that from August 2004 to September 2007, SSA field offices issued over \$745 million in A-OTPs to approximately 330,637 individuals.

A recent Office of the Inspector General investigation found that an SSA operations supervisor used the A-OTP process to issue fraudulent payments and instructed subordinate employees to issue the fraudulent payments. In some instances, the supervisor authorized individuals to receive multiple SSI payments in the same month. In other instances, the supervisor approved payments for one SSI recipient to be deposited into the bank account of a different individual. As a result of this fraud, SSA paid approximately \$268,000 to individuals who were not authorized to receive SSI payments. In January 2007, the supervisor pled guilty to Misapplication of Fiduciary Property, received a prison sentence, and was ordered to make restitution to SSA.

RESULTS OF REVIEW

We found that, in general, A-OTPs appeared valid and properly authorized. However, during our review, we identified two instances where SSA erroneously issued A-OTPs to individuals with balances due to SSA as a result of previous overpayments. We also identified administrative and timeliness issues related to A-OTPs issued to survivors of SSI recipients eligible for payment during the month of their death.

A-OTPS TO RECIPIENTS WITH BALANCES DUE TO SSA

Our review identified two improperly authorized A-OTPs made to SSI recipients over the age of 105 with outstanding balances owed to SSA. In both instances, SSA paid A-OTPs, although the individuals had overpayments on their payment records. At some point, field office staff inappropriately¹ deemed balances due from the recipients uncollectible. Instead of issuing the A-OTPs, SSA should have applied the funds to balances owed by these individuals. SSA payment records indicated both numberholders died after receiving the A-OTPs. Consequently, it was no longer possible for SSA to recover these funds.

A-OTPS ISSUED TO SURVIVORS OF DECEASED SSI RECIPIENTS

SSA did not always ensure timely SSI payments were issued to survivors of deceased recipients eligible for payment during the month of their death. During our review, we identified 20 A-OTPs issued 10 or more years after the recipient's death. In each case, SSA attempted to make payment to the deceased recipients. However, surviving family members were unable to redeem the payment because either the U.S. Treasury canceled the checks² or Financial Institutions would not allow family members to negotiate checks payable to the deceased individuals.

According to SSA, the payments were not processed timely because there was no permanent alert sent to SSA field offices to notify them of instances where a check was denied by the Financial Institutions after the beneficiary's death. In these cases, the checks were returned to SSA and no further action was taken. Only years later did the field offices become aware these payments were owed to surviving beneficiaries on behalf of the deceased beneficiaries.

¹ Amounts deemed uncollectible did not meet requirements delineated in SSA, Program Operations Manual System (POMS), SM 01311.280, *Uncollectible and Erroneous Overpayment Decisions – N TAC and NT TAC*.

² SSA, POMS, GN 02408.006, *Check Operations Re-Engineering Effort (CORE) – Titles II and XVI*.

CONCLUSION AND RECOMMENDATIONS

We determined that, in general, A-OTPs appeared valid and properly authorized. However, we identified administrative issues that resulted in a small number of erroneous or untimely A-OTPs.

We recommend SSA:

1. Ensure overpayments deemed “uncollectible” meet requirements delineated in POMS.
2. Ensure SSA field offices timely issue underpayments to eligible survivors on behalf of deceased recipients.

AGENCY COMMENTS

SSA agreed with our recommendations. The full text of the Agency's comments is included in Appendix B.



Patrick P. O'Carroll, Jr.

Appendices

[**APPENDIX A**](#) – Scope and Methodology

[**APPENDIX B**](#) – Agency Comments

[**APPENDIX C**](#) – OIG Contacts and Staff Acknowledgments

Scope and Methodology

To accomplish our objective, we:

- Reviewed the Social Security Administration's (SSA) policies and procedures related to Automated One Time Payments (A-OTPs).
- Interviewed SSA Systems and Operations staff to discuss procedures used to process A-OTPs.
- Identified 380,529 A-OTPs, totaling \$745,178,169, processed between August 2004 and September 2007. Of these A-OTPs, we reviewed the following 233 payments:
 - ✓ All 19 instances where over 100 A-OTPs were deposited into the same bank account. In addition, we reviewed a randomly selected sample of 50 cases from the 569 instances where between 5 and 99 A-OTPs were deposited into the same bank account.
 - ✓ All 24 instances where 6 or more A-OTPs were sent to the same address. In addition, we reviewed a randomly selected sample of 50 cases from the 2,092 instances where between 2 and 5 A-OTPs were sent to the same address.
 - ✓ All 23 A-OTPs that exceeded \$46,000.
 - ✓ All 22 A-OTPs made to individuals over the age of 105.
 - ✓ A non-random sample of 25 of the 221 A-OTPs made to individuals under age 1.
 - ✓ All 20 A-OTPs made to individuals 10 to 20 years after their date of death.
- Coordinated our payment review with staff in SSA's Office of Public Service and Operations Support.
- Obtained data from SSA's Audit Trail System that identified address and bank account information when each A-OTP was issued.

We performed our audit from November 2007 through May 2008 at SSA's Regional Office in Dallas, Texas. We did not test the general or application controls of SSA systems that generated electronic data used for this audit. Instead, we traced selected transactions to source documents and performed other validation tests and found the data to be sufficiently reliable to meet our audit objectives. The entity audited was 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: September 11, 2008 **Refer To:** S1J-3

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

From: David Foster /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Automated One-Time Payments" (A-06-08-18035)--INFORMATION

We appreciate OIG's efforts in conducting this review. Attached is our response to the recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) DRAFT REPORT, "AUTOMATED ONE-TIME PAYMENTS" (A-06-08-18035)

Thank you for the opportunity to review and provide comments on this draft report. We appreciate that in general you found automated one-time payments (A-OTP) are issued properly and for their intended purpose. We believe the A-OTP process improves our service to the public by giving field offices the flexibility to deliver Supplemental Security Income (SSI) payments when needed and when routine processing is not possible because of systems limitations. We feel that our current controls over the A-OTP process, namely the peer review and signature, are effective and have provided a high degree of accuracy.

Recommendation 1

Ensure overpayments deemed “uncollectible” meet requirements delineated in POMS.

Comment

We agree. We will ensure that the appropriate field office personnel receive instructions on properly processing “uncollectible” decisions on SSI overpayments. We plan to release the instructions by the end of December 2008.

Recommendation 2

Ensure SSA field offices timely issue underpayments to eligible survivors on behalf of deceased recipients.

Comment

We agree. In August 2007, the OIG Report, "Underpayments on Prior Supplemental Security Income (SSI) Records," recommended that we provide refresher training to field office personnel to address the issue of underpayments on terminated SSI records. Because the topics are closely related, we will include in the refresher training, instructions on the timely processing of underpayments on the records of deceased recipients. We expect to provide this training by the end of December 2008.

The August 2007 report also recommended that we pursue a system enhancement to ensure timely issuance of underpayments on terminated records. In our response, we agreed with the recommendation; however, it was dependent on available system resources. Since this report recommendation is similar, it would also benefit from system enhancements. Unfortunately, system resources are still not available to develop and implement an electronic system to alert field office staff that underpayments exist. In the future, as system resources become available, we will pursue system enhancements in this area.

Appendix C

OIG Contacts and Staff Acknowledgments

OIG Contacts

Ron Gunia, Director, Dallas Audit Division, (214) 767-6620

Jason Arrington, Audit Manager, (214) 767-1321

Acknowledgments

In addition to those named above:

Erica Estrada, Senior Analyst

Teresa Williams, Senior Auditor

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-06-08-18035.

DISTRIBUTION SCHEDULE

Commissioner of Social Security
Office of Management and Budget, Income Maintenance Branch
Chairman and Ranking Member, Committee on Ways and Means
Chief of Staff, Committee on Ways and Means
Chairman and Ranking Minority Member, Subcommittee on Social Security
Majority and Minority Staff Director, Subcommittee on Social Security
Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives
Chairman and Ranking Minority Member, Committee on Oversight and Government Reform
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.