

Audit Report

The Social Security Administration's
Prisoner Incentive Payment Program

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: December 3, 2014 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Prisoner Incentive Payment Program (A-01-14-24100)

The attached final report presents the results of our audit. Our objective was to assess the accuracy of incentive payments to correctional facilities.

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



Patrick P. O'Carroll, Jr.

Attachment

The Social Security Administration's Prisoner Incentive Payment Program

A-01-14-24100



December 2014

Office of Audit Report Summary

Objective

To assess the accuracy of incentive payments to correctional facilities.

Background

The *Social Security Act* allows the Social Security Administration (SSA) to make incentive payments to State and local correctional facilities that provide inmate data to SSA. The incentive payment provisions in the *Social Security Act* were established to encourage the reporting of inmate data that would allow SSA to timely suspend Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) benefits to prisoners.

Incentive payments are authorized in the following amounts: (a) \$400 for information received within 30 days after the individual's date of confinement due to conviction for an OASDI beneficiary or confinement for an SSI recipient, (b) \$200 for information received after 30 days but within 90 days after the individual's date of confinement due to conviction for an OASDI beneficiary or confinement for an SSI recipient, or (c) \$0 for information received on or after the 91st day following the individual's date of confinement due to conviction for an OASDI beneficiary or confinement for an SSI recipient

To conduct our audit, we identified 527,447 incentive payments made from June 2008 through February 2014. We randomly selected 275 cases from this population for detailed analysis.

Our Findings

SSA was not paying incentive payments in accordance with the *Social Security Act*. We previously reported this issue in our July 2004 and August 2009 reports.

Based on our current review of 275 sample cases, we estimated that SSA incorrectly issued about 128,500 incentive payments totaling approximately \$35.3 million.

Our Recommendations

We recommend SSA:

1. Modify its processes and system to pay incentive payments consistent with the *Social Security Act*.
2. Reinforce established procedures regarding proper development of incarcerated beneficiaries and recoup erroneous incentive payments to correctional facilities.

SSA agreed with the recommendations.

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ABBREVIATIONS

FO	Field Office
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 incentive payments to correctional facilities.

BACKGROUND

The *Social Security Act* allows the Social Security Administration (SSA) to make incentive payments to State and local correctional facilities that provide inmate data to SSA that led to the suspension of benefits.¹ The incentive payment provisions in the *Social Security Act* were established to encourage the timely reporting of inmate data that would allow SSA to suspend Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) payments to prisoners.²

Incentive payments are authorized in the following amounts:

- \$400 for information received within 30 days after the individual's date of confinement due to conviction for an OASDI beneficiary or confinement for an SSI recipient;
- \$200 for information received after 30 days but within 90 days after the individual's date of confinement due to conviction for an OASDI beneficiary or confinement for an SSI recipient; or
- \$0 for information received on or after the 91st day following the individual's date of confinement due to conviction for an OASDI beneficiary or confinement for an SSI recipient (see Appendix A for additional background information).

SSA programmed its incentive payment system to issue \$400 for inmate information received by the end of the month following the month of incarceration and \$200 for information received by the end of the 3rd month after the month of confinement. This is inconsistent with the provisions in the *Social Security Act*.

The incentive payment system delays payments until the next calendar month before SSA issues the incentive payment. If, during that month, it is determined that SSA should not suspend benefits because of incarceration, the Agency will not release the incentive payment. To stop the incentive payment from being released, the Agency must update the incentive payment system with a release date. SSA's policies and procedures state that if the Agency releases an incentive

¹ *Social Security Act*, §§ 202(x)(3)(B)(i) and 1611(e)(1)(I)(i); 42 U.S.C. §§ 402(x)(3)(B)(i) and 1382(e)(1)(I)(i).

² *Social Security Act*, §§ 202(x)(1)(A)(i) and 1611(e)(1)(A); 42 U.S.C. §§ 402(x)(1)(A)(i) and 1382(e)(1)(A). The 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 or correctional facility and (2) SSI payments who have been confined in a public institution throughout any month.

payment, but should not have suspended benefits because of incarceration, the payment cannot be recovered.³

If SSA inadvertently pays a facility because of an SSA error (for example, SSA keyed incorrect incarceration data into the computer system), SSA will not litigate to recoup the erroneous payment. The Agency will ask the correctional facility to return the payment. If the correctional facility agrees to refund the incentive payment, SSA will take action to recoup the payment. If SSA pays an incentive payment to the wrong facility, it will issue the incentive payment to the correct institution at the earliest possible opportunity.⁴

We issued two prior reports on prisoner incentive payments.

- In our July 2004 audit,⁵ we reviewed incentive payments made between March 1997 and August 2003. Based on our sample, we estimated that SSA issued about 86,000 payments incorrectly, resulting in approximately \$18.97 million in OASDI and SSI funds the Agency improperly paid.
- In our 2009 audit,⁶ we reviewed incentive payments made between September 2003 and May 2008. Based on our sample, we estimated that SSA issued about 119,862 payments incorrectly, resulting in approximately \$30.3 million in OASDI and SSI funds the Agency improperly paid.

In both prior reports, we recommended that SSA pay incentive payments according to the *Social Security Act*. For both audits, SSA agreed there was a discrepancy between the incentive payment provisions in the *Social Security Act* and the method the Agency was using to make incentive payments.

To conduct our audit, we identified 527,447 incentive payments made from June 2008 through February 2014. We randomly selected 275 cases from this population for detailed analysis. See Appendix B for more information on our scope, methodology, and sample results.

RESULTS OF REVIEW

SSA does not pay incentive payments in accordance with the *Social Security Act*. We previously reported this issue in our July 2004 and August 2009 reports.

³ SSA, POMS, GN 02607.800 C.1 (July 2, 2014).

⁴ SSA, POMS, GN 02607.830 B.1 (February 20, 2002).

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

⁶ SSA OIG, *Follow-Up on the Social Security Administration's Prisoner Incentive Payment Program* (A-01-09-19029), August 2009.

Based on our current review of 275 sample cases, we estimated that SSA incorrectly issued about 128,500 incentive payments totaling approximately \$35.3 million.

Sample Results

Our review of 275 sample cases found

- 208 incentive payments (76 percent) were properly paid; and
- 67 incentive payments (24 percent), totaling \$18,400, were improperly paid.

Incorrect Incentive Payments

SSA improperly paid 67 incentive payments totaling \$18,400. Of this

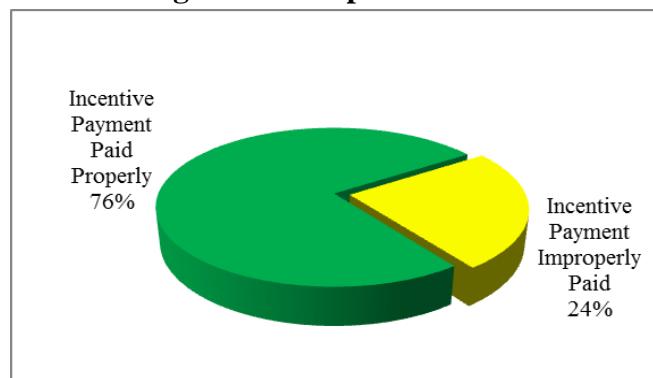
- 39 incentive payments, totaling \$7,800,⁷ were improperly paid because SSA's systems were not designed to issue payment in accordance with the *Social Security Act*; and
- 28 incentive payments, totaling \$10,600,⁸ were erroneously paid because either (a) the beneficiary or recipient was not suspended or (b) SSA processed the payment using incorrect information.

Incentive Payments Not Made in Accordance with the Social Security Act

The laws that amended the *Social Security Act*⁹ 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 39 incentive payments, totaling \$7,800, because the information was not received within the timeframe established by law but was received within the timeframe implemented by SSA.

For example, on December 12, 2012, SSA received a report from a correctional facility showing an individual was convicted on November 1, 2012 (41 days from conviction to the day SSA

Figure 1: Sample Results



⁷ Of the \$7,800 in improper incentive payments, \$5,600 was from SSI payments and \$2,200 was from OASDI benefits. For estimates, see Appendix B, Table B-2 and Table B-3.

⁸ Of the \$10,600 in improper incentive payments, \$8,800 was from SSI payments and \$1,800 was from OASDI benefits. For estimates, see Appendix B, Table B-4 and Table B-5.

⁹ *Ticket to Work and Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170, Title IV, § 402, 113 Stat. 1860, 1907 (1999) and the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Pub. L. No. 104-193, Title II, § 203, 110 Stat. 2105, 2186-2187 (1996).

received the information). SSA issued a \$400 incentive payment on January 2, 2013 because SSA received the prisoner information before the end of the month following the month of conviction. The facility was improperly paid \$200 because SSA should have paid only \$200, not \$400, for information received 41 days after conviction.

The following table shows detailed information on the incorrect payments made for our sample cases that exceeded the 30- and 90-day limits established in the *Social Security Act*.

Table 1: Details of Cases with Incorrect Payments

Timeframe of Receipt of Inmate Information and Amount of Incentive Payment	Number of Cases	Amount of Each Incorrect Incentive Payment	Total Amount of Incorrect Incentive Payments	Portion of Incorrect Incentive Payments
\$400 paid for information received 1 to 5 days after the 30-day time limit ¹⁰	25	\$200	\$5,000	64%
\$400 paid for information received 6 to 10 days after the 30-day time limit	6	\$200	\$1,200	15%
\$400 paid for information received 11 to 20 days after the 30-day time limit	3	\$200	\$600	8%
\$400 paid for information received 21 to 30 days after the 30-day time limit	4	\$200	\$800	10%
\$200 paid for information received after the 90-day time limit	1	\$200	\$200	3%
Total	39		\$7,800	100%

Incentive Payments Issued Erroneously

In 28 sample cases, SSA erroneously paid \$10,600 in incentive payments to correctional facilities.

¹⁰ Under the *Social Security Act*, SSA should have paid \$200 for information received after 30 days but within 90 days. However, SSA paid \$400 for this information—instead of \$200. Therefore, SSA improperly paid the correctional facility when it paid \$400 for information received more than 30 days after confinement or conviction.

- In 25 cases, the recipient did not meet the criteria for suspension and therefore SSA improperly paid \$9,800 in incentive payments. In five of these cases, the SSA employee did not timely input information showing the recipient did not meet the criteria for suspension.

For example, SSA received a report on December 1, 2011 that a recipient was incarcerated as of November 17, 2011. The Agency suspended the recipient's SSI payments on December 6, 2011, but, on December 22, 2011, SSA learned the recipient had been released from the facility on December 15, 2011. Since his incarceration period did not cover an entire month, SSA should not have suspended his SSI payments. SSA paid the incentive payment on January 3, 2012 because an SSA employee failed to update the system with the recipient's release date. Had the SSA employee updated the system timely, it would have cancelled the incentive payment.

In another example, SSA received a report on October 20, 2011 that a recipient was incarcerated as of September 15, 2011. The Agency suspended the recipient's SSI payments on October 25, 2011 and issued an incentive payment to the correctional facility on November 1, 2011. On November 9, 2011, SSA learned the recipient was released from the facility on October 30, 2011 and therefore benefits should not have been suspended. Since SSA staff posted 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.

- In three cases, an SSA employee used the wrong information to process the incentive payment. This resulted in \$800 in improper payments. Also, SSA did not follow policy and ask the facility to return the incentive payment in any of these cases.

Resources to Re-program Incentive Payment System

According to SSA, it would need a minimum of a 1 to 3 work-year effort to reprogram the incentive payment system to pay incentive payments in accordance with the *Social Security Act*. As such, the Agency would need to submit a formal Strategic Information Technology Assessment and Review proposal.¹¹ SSA Office of Systems' initial research into this request indicates that at least five programs would have to be changed/modified, validated, and regression-tested with other programs.

¹¹ Strategic Information Technology Assessment and Review is SSA's process for evaluating, prioritizing, and allocating resources for Information Technology projects.

CONCLUSIONS

SSA did not adhere to incentive payment provisions in the *Social Security Act* when it made payments to correctional facilities that reported inmate information. Therefore, SSA incorrectly paid them. Additionally, had the Agency waited longer to issue an incentive payment and input release dates into the incentive payment system timely, it could have avoided improper incentive payments to correctional facilities. By making correct incentive payments in the future, SSA can ensure it will not inappropriately expend funds from either the Social Security Trust or General Funds.

RECOMMENDATIONS

We recommend SSA:

1. Modify its processes and system to pay incentive payments consistent with the *Social Security Act*.
2. Reinforce established procedures regarding proper development of incarcerated beneficiaries or recipients and recoup erroneous incentive payments to correctional facilities.

AGENCY COMMENTS

SSA agreed with the recommendations. See Appendix C.

APPENDICES

Appendix A – BACKGROUND

Title II

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 Title II 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 a Title II 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 Title II 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.

Title XVI

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 Title XVI 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 a Title XVI payment for the month that preceded the first month throughout which the inmate was in the institution and became ineligible for such benefit.

Effective March 1, 1997, this law authorizes SSA to pay the Title XVI incentive payment in the following amounts:

- \$400 for information received within 30 days after the individual's date of confinement;

¹ Pub. L. No. 106-170, Title IV § 402, 113 Stat. 1860, 1907 (1999).

² Pub. L. No. 104-193, Title II, § 203, 110 Stat. 2105, 2186-2187 (1996).

- \$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.

SSA's Processing of Prisoner Data

SSA receives reports of beneficiary and recipient confinements from various sources. Beneficiaries and recipients may self-report their confinement or interested third parties (such as representative payees 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 the reporter 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 of reporting provides facilities with the convenience of secure and timely transmissions of their monthly reports and provides an immediate response indicating SSA received their transmission. This method also allows the Prisoner Update Processing System (PUPS) to automatically establish a pending record and generates a PUPS alert to either the SSA field office (FO) or processing center for processing.

Facilities fax or mail paper listings to FOs if they are unable to submit electronically. FOs either convert the paper inmate reports into the approved reporting format and transmit that data electronically or manually enter inmate information into PUPS. Manually entering inmate information into PUPS requires the FO to establish a PUPS record for each reported inmate. Establishing a PUPS record requires completing a series of input screens to access PUPS, verify the reported Social Security number and enter inmate data. When PUPS creates inmate records from manual FO inputs, it assigns the PUPS pending record to the FO servicing the beneficiary's or recipient's mailing address, but does not generate a PUPS alert to the servicing office.

Appendix B – SCOPE, METHODOLOGY, AND SAMPLE RESULTS

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 527,447 incentive payments, totaling \$199 million, made from June 2008 through February 2014.
- Randomly sampled 275 cases from the population of 527,447. 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.
- Asked SSA for a rough estimate of necessary resources to reprogram its systems to pay incentive payments in accordance with the *Social Security Act*.

We conducted our audit between May and August 2014 in Boston, Massachusetts. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. The entity audited was the Office of Income Security Programs under the Office of the Deputy Commissioner for Retirement and Disability Policy. 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

Population and Sample Size

Population	527,447
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Sample Size	275
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Table B–1: Incentive Payments Paid Incorrectly

	Number of Cases	Dollars
Sample Cases	67	\$18,400
Point Estimate	128,505	\$35,290,999
Projection Lower Limit	106,264	\$28,603,757
Projection Upper Limit	152,950	\$41,978,241

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

Estimates (from Table B–1) by SSA Program

Table B–2: OASDI Incentive Payments That Were Not Made in Accordance with the *Social Security Act*

	Number of Cases	Dollars
Sample Cases	13 ¹	\$2,200
Point Estimate	24,934	\$4,219,576
Projection Lower Limit	14,869	\$2,259,012
Projection Upper Limit	39,084	\$6,180,140

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

Table B–3: SSI Incentive Payments That Were Not Made in Accordance with the *Social Security Act*

	Number of Cases	Dollars
Sample Cases	30 ²	\$5,600
Point Estimate	57,540	\$10,740,739
Projection Lower Limit	42,001	\$7,624,703
Projection Upper Limit	76,501	\$13,856,775

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

¹ Four cases were concurrent and are in both the OASDI and SSI category.

² Four cases were concurrent and are in both the OASDI and SSI category.

Table B–4: Erroneous OASDI Incentive Payments

	Number of Cases	Dollars
Sample Cases	6 ³	\$1,800
Point Estimate	11,508	\$3,452,380
Projection Lower Limit	5,035	\$1,020,785
Projection Upper Limit	22,470	\$5,883,976

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

Table B–5: Erroneous SSI Incentive Payments

	Number of Cases	Dollars
Sample Cases	23	\$8,800
Point Estimate	44,114	\$16,878,304
Projection Lower Limit	30,508	\$11,243,801
Projection Upper Limit	61,395	\$22,512,807

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

³ One case was concurrent and in both the OASDI and SSI category.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: November 10, 2014 Refer To: S1J-3

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

From: Katherine Thornton
Deputy Chief of Staff *K. Thornton*

Subject: Office of the Inspector General Draft Report, "The Social Security Administration's Prisoner Incentive Payment Program" (A-01-14-24100) – INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments. Please let me know if we can be of further assistance. Your may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "THE SOCIAL SECURITY ADMINISTRATION'S PRISONER INCENTIVE PAYMENT PROGRAM" (A-01-14-24100)

Recommendation 1

Modify its processes and system to pay incentive payments consistent with the Social Security Act.

Response

We agree. 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.

Recommendation 2

Reinforce established procedures regarding proper development of incarcerated beneficiaries and recoup erroneous incentive payments to correctional facilities.

Response

We agree. By the end of CY 2015, we will issue policy instructions to our staff to reinforce our procedures for proper development of incarcerated beneficiaries. In addition, by the end of CY 2015, we will strengthen our current process to track and recoup erroneous incentive payments.

Appendix D– MAJOR CONTRIBUTORS

Judith Oliveira, Director, Boston Audit Division

David Mazzola, Audit Manager

Katie Greenwood, Senior Auditor

Kevin Joyce, IT Specialist

Brennan Kraje, Statistician

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