

Audit Report

Dedicated Account Underpayments
Payable to Children Receiving
Supplemental Security Income



MEMORANDUM

Date: September 17, 2019 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Dedicated Account Underpayments Payable to Children Receiving Supplemental Security Income (A-04-18-50607)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration had adequate controls to ensure it paid dedicated account underpayments to children receiving Supplemental Security Income payments.

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.

A handwritten signature in black ink that reads "Gail S. Ennis".

Gail S. Ennis

Attachment

Dedicated Account Underpayments Payable to Children Receiving Supplemental Security Income

A-04-18-50607



September 2019

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it paid dedicated account underpayments to children receiving Supplemental Security Income (SSI) payments.

Background

The *Social Security Act* requires that representative payees establish and maintain separate dedicated bank accounts for underpayments to SSI recipients under the age of 18 that are more than six times the monthly Federal Benefit Rate. When SSA identifies underpayments that require a dedicated account, it requires that the child's representative payee establish a dedicated account before SSA will release the recipient's underpayment. Dedicated account payments should be made in no more than three installments at 6-month intervals.

We identified 21,528 SSI recipients with underpayments requiring dedicated accounts, according to SSA records. These underpayments totaled approximately \$124 million. Of these, 3,914 recipients were identified in our 2010 audit population but, as of September 2017, still have unpaid dedicated account underpayments. From the population of 21,528, we randomly selected 100 recipients for review.

Findings

Based on our random sample of 100 recipients, we estimate SSA improperly withheld approximately \$78 million from 14,000 SSI recipients. Of these, we estimate SSA improperly withheld approximately \$12.6 million that is payable to 3,000 SSI recipients identified in our 2010 audit. Of the 100 recipients, SSA had

- improperly withheld 65 recipients' underpayments totaling \$363,052;
- properly paid 16 recipients' underpayments, totaling \$87,863, but \$62,513 (71 percent) was not paid timely; and
- properly paid or did not owe 19 recipients' underpayments, totaling \$81,196.

Moreover, SSA improperly withheld dedicated account underpayments payable to 63 (38 percent) of the 166 recipients we identified in 2010. We randomly reviewed 30 of the 3,914 recipients who were in both our prior and current audit populations and determined SSA had not paid the dedicated underpayment to 18 (60 percent). Thus, our current audit confirmed the dedicated account issues identified in our 2010 audit still exist.

SSA had not issued the underpayments to recipients because it does not have adequate controls to (1) ensure representative payees establish dedicated accounts and (2) issue installment payments to established dedicated accounts in 6-month intervals.

Recommendations

We made three recommendations to improve SSA's controls over, and ensure it pays, dedicated account underpayments for children receiving SSI payments.

SSA agreed with our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
Stat.	Statutes at Large
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it paid dedicated account underpayments to children receiving Supplemental Security Income (SSI) payments.

BACKGROUND

SSA administers the SSI program to provide payments to financially needy individuals who are aged, blind, or disabled.¹ An underpayment occurs when a recipient does not receive a payment that is payable or receives a payment that is less than the amount due.²

SSA appoints representative payees to receive and manage payments to individuals who cannot manage or direct the management of their SSI payments because of their youth or mental and/or physical impairments. SSA selects representative payees for SSI recipients when representative payment would serve the individual's interests.³

The *Social Security Act* requires that representative payees establish and maintain separate, dedicated bank accounts for underpayments to SSI recipients under age 18 that are more than six times the monthly Federal Benefit Rate, including any Optional State Supplements.⁴ In 2019, the Federal Benefit Rate is \$771 per month; therefore, dedicated account provisions generally take effect if an underpayment exceeds \$4,626.⁵ When SSA identifies underpayments that require a dedicated account, it requires that the child's representative payee establish a dedicated account before SSA will release the recipient's underpayment.⁶ The account must be separate from other savings or checking accounts into which regular monthly SSI payments are deposited.⁷ Representative payees may only use funds deposited into a dedicated account for medical treatment, education or job skills training, and certain other expenses related to the child's impairment.⁸

¹ *Social Security Act*, 42 U.S.C. §§ 1381 and 1381a (govinfo.gov 2017).

² 20 C.F.R. § 416.536 (govinfo.gov 2018); SSA, *POMS*, SI 02101.001, A.1 (February 26, 2016).

³ *Social Security Act*, 42 U.S.C. 1383(a)(2) (govinfo.gov 2017); 20 C.F.R. § 416.601 (govinfo.gov 2018).

⁴ *Social Security Act*, 42 U.S.C. § 1383(a)(2)(F) (govinfo.gov 2017); SSA, *POMS*, SI 02101.010, A.1 (January 13, 2014).

⁵ SSA, *POMS*, SI 02001.020, C.9 (November 8, 2017).

⁶ SSA, *POMS*, SI 02101.010, A.1 (January 13, 2014).

⁷ SSA, *POMS*, GN 00603.025, B.1 (October 22, 2008).

⁸ SSA, *POMS*, GN 00602.140, B.1 (December 4, 2012).

If a representative payee does not establish a dedicated account within 30 days of SSA's notice, SSA employees should not release the underpayment. Instead, they should determine whether the recipient needs a new representative payee.⁹ SSA has automated controls to assist employees in making payments to dedicated accounts. The SSI system generates a follow-up diary when SSA notifies a representative payee to establish a dedicated account. If SSA employees have not issued a dedicated account payment after 30 days, the SSI system generates an alert that reminds employees to issue a payment to the dedicated account or develop for a new payee. However, SSA policy states that "Generally, a parent with custody is the preferred payee."¹⁰ The SSI system also generates up to three additional alerts at 15-day intervals to remind employees to follow up on whether a dedicated account has been established.

When SSA makes the first dedicated account payment, its system clears the initial diary and establishes a new diary to remind employees to pay the next installment 6 months later. If there is a remaining underpayment after the second installment, the SSI system generates a new diary to remind employees to pay the final installment.¹¹ SSA employees should make payments to a dedicated account in no more than three installments at 6-month intervals.¹² Dedicated account rules apply until SSA terminates the recipients' SSI eligibility, regardless of whether the recipient attains age 18 and no longer requires a representative payee.¹³ Accordingly, after SSA terminates the recipients' SSI eligibility, it can release the remaining underpayment to the recipient or his/her representative payee according to normal procedures.

In our 2010 report, we identified 166 past-due dedicated account underpayments from a random sample of 275 and estimated that SSA had not paid approximately 7,775 dedicated account underpayments that totaled approximately \$35 million. This occurred because SSA did not have adequate controls to ensure representative payees established dedicated accounts. In addition, SSA employees did not notify representative payees about the underpayments that required dedicated accounts or adequately control the issuance of underpayments after representative payees established dedicated accounts. We made five recommendations, including that SSA take corrective action on the SSI population that had dedicated account underpayments and determine whether it should establish additional controls to ensure dedicated funds were properly paid. SSA agreed with our recommendations.¹⁴

⁹ SSA, *POMS*, SI 02101.010, A.1 and B.5 (January 13, 2014).

¹⁰ SSA, *POMS*, GN 00502.105, A (May 21, 2019) and GN 00605.235, B.2 (April 1, 2011).

¹¹ SSA, *POMS*, SI 02101.020, D.4 (February 7, 2014).

¹² SSA, *POMS*, SI 02101.020, B.3 (February 7, 2014).

¹³ SSA, *POMS*, SI 02101.010, A.9 (January 13, 2014) and GN 00602.140 B.5 (December 4, 2012).

¹⁴ SSA, OIG, *Dedicated Account Underpayments Payable to Children*, A-09-09-29110, pp. D-2 and D-3 (November 2010).

For our current audit, we identified 21,528 SSI recipients whom SSA records indicated had underpayments requiring dedicated accounts as of September 2017. These underpayments totaled approximately \$124 million. Of these, 3,914 recipients were identified in our 2010 audit population¹⁵ but still had unpaid dedicated account underpayments. From the population of 21,528 recipients, we randomly selected 100 for review.¹⁶ Additionally, we randomly selected 30 for review from the population of 3,914 recipients from our 2010 audit.¹⁷ See Appendix A for our scope and methodology.

RESULTS OF REVIEW

Based on our random sample of 100 recipients, we estimate SSA improperly withheld approximately \$78 million from 14,000 SSI recipients. Of these, we estimate SSA improperly withheld approximately \$12.6 million that is payable to 3,000 SSI recipients identified in our 2010 audit. Of the 100 recipients, SSA had

- improperly withheld 65 recipients' underpayments, totaling \$363,052;¹⁸
- properly paid 16 recipients' underpayments, totaling \$87,863, but \$62,513 (71 percent) was not paid timely,¹⁹ and
- properly paid or did not owe²⁰ 19 recipients' underpayments, totaling \$81,196.²¹

¹⁵ SSA, OIG, *Dedicated Account Underpayments Payable to Children*, A-09-09-29110, (November 2010) identified 12,881 dedicated account underpayments, totaling \$66.1 million, due SSI recipients. Of the 12,881 underpayments, 3,914 (30 percent) remained in our current population.

¹⁶ SSA employees should make payments to a dedicated account in no more than three installments at 6-month intervals. Therefore, the 18 months between the date we pulled our data (September 2017) and the date we reviewed our sample (April 2019) would generally allow SSA employees time to issue all dedicated account payments to the recipients. See SSA, *POMS*, SI 02101.020, B.3 (February 7, 2014).

¹⁷ SSA, OIG, *Dedicated Account Underpayments Payable to Children*, A-09-09-29110, (November 2010).

¹⁸ Of the 65, 14 (22 percent) were from the prior population and had not been issued \$58,669 in underpayments.

¹⁹ Of the 16 cases, 2 (13 percent) from the prior audit were not paid timely. SSA paid these two recipients \$6,308; however, none of the payments was timely. We determined SSA did not pay the underpayments timely if the initial payment or subsequent installment payments were more than 1 month overdue as of April 2019.

²⁰ While all the SSI records in our population listed dedicated account underpayments, we or SSA determined some of the underpayments were not payable. This primarily occurred because SSA should have applied underpayments to reduce or recover outstanding overpayments to the recipients. See SSA, *POMS*, SI 02101.002, A.3 (January 5, 2015) and SI 02101.003 B (August 26, 2013).

²¹ We determined 5 (26 percent) of the 19 recipients who did not have payment errors were from the prior population. SSA correctly resolved \$11,760 in underpayments to these five recipients.

Moreover, SSA improperly withheld the dedicated account underpayments payable to 63 (38 percent) of the 166 recipients we identified in 2010.²² We randomly reviewed 30 of the 3,914 recipients who were in both our prior and current audit populations and determined SSA had not paid the dedicated underpayment to 18 (60 percent). Thus, our current audit confirmed the dedicated account issues identified in our 2010 audit²³ still exist.

SSA had not issued the underpayments to recipients because it does not have adequate controls to (1) ensure representative payees establish dedicated accounts and (2) issue installment payments to established dedicated accounts in 6-month intervals.

Dedicated Account Underpayments Improperly Withheld

Of the 100 sampled recipients with dedicated account underpayments in our current audit, SSA improperly withheld underpayments, totaling \$363,052, to 65 recipients.²⁴ Of these, SSA did not pay 28 representative payees for children who were receiving SSI²⁵ and 37 representative payees for children who were no longer receiving SSI.²⁶

SSA systems do not contain sufficient information to identify the age of an underpayment if it is over 135 days old. However, based on our review of SSA records, we estimate that, on average, the dedicated account underpayments for the 65 recipients had been pending SSA payment for approximately 7 years.²⁷ As shown in Table 1, 7 underpayments were less than 2-years-old, but 12 were more than 10-years-old.

Table 1: Dedicated Account Underpayment Aging Schedule

Age of Dedicated Accounts	Recipients Unpaid	Percent of Total
< 2 Years	7	11
2 – 4 Years	24	37
5 - 6 Years	9	14
7 - 8 Years	9	14
9 - 10 Years	4	6
> 10 Years	12	18
Total	65	100

²² SSA, OIG, *Dedicated Account Underpayments Payable to Children, A-09-09-29110*, (November 2010).

²³ SSA, OIG, *Dedicated Account Underpayments Payable to Children, A-09-09-29110*, (November 2010).

²⁴ Of the 65 recipients, 14 were from the population we identified in our 2010 audit. As of April 2019, SSA had not issued \$58,669 in underpayment to these 14 recipients.

²⁵ Of the 28 recipients, 3 were from the population we identified in our 2010 audit.

²⁶ Of the 37 recipients, 11 were from the population we identified in our 2010 audit.

²⁷ The mean is 7 years and median is 5 years.

We provided SSA information for the 65 recipients for its review and corrective action.²⁸ We acknowledge there can be extenuating circumstances that prevent SSA employees from issuing the underpayments to specific recipients at a given time. For example, according to SSA documents, employees could not contact some of the parent payees on the date they attempted contact. In addition, some recipients were incarcerated at the time of our review and ineligible to receive the underpayments until they are released.²⁹ Nonetheless, SSA should have paid these underpayments when employees still had contact with the parents or before the recipients' incarceration.

Dedicated Account Underpayments for Children Receiving SSI

SSA improperly withheld dedicated account underpayments to representative payees for 28 children who were receiving SSI. This occurred because SSA does not have adequate controls to ensure representative payees established dedicated accounts. In addition, SSA did not adequately control the issuance of installment payments as required.³⁰ As a result, SSA had not paid approximately \$167,000 in underpayments to representative payees for 28 children who were still receiving SSI at the time of our review.

For example, in May 2016, SSA notified a child's representative payee, who was also the child's mother, that she needed to establish a dedicated account for a \$4,506 underpayment. SSA sent the payee notification letters in June 2016, May 2017, and September 2018. Because the payee did not establish the required dedicated account, SSA did not issue the underpayment and should have determined whether the recipient needed a new representative payee. As of April 2019, SSA had not paid the \$4,506 underpayment.

Of the 28 recipients, SSA had not paid 16 any of their dedicated account underpayments. SSA had made at least 1 installment payment to the remaining 12 but had not released the entire underpayment. As such, SSA had not paid the dedicated account underpayments, on average, for approximately 5 years.³¹

SSA uses reminders, called diaries, to alert employees that further action must be taken on a recipient's record. However, we found the diaries were not present on all Supplemental Security Records (SSR),³² and SSA employees did not always resolve the diaries when they were due. According to SSA, in September 2014, its systems began establishing diaries to alert employees of underpayments on some prior SSI records. This system enhancement should reduce the

²⁸ See Appendix C, Table C–1 for the reasons the 65 recipients received disability payments.

²⁹ *No Social Security Benefits for Prisoners Act of 2009*, Pub. L. No. 111-115, § 2, 123 Stat. 3029, pp. 3029-3030, and SSA, *POMS*, SI 02101.010, A.10 (January 13, 2014).

³⁰ SSA, *POMS*, SI 02101.010, A.6 (January 13, 2014) and SI 02101.020, B.3 (February 7, 2014).

³¹ The mean is 5 years and median is 4 years.

³² SSI recipients can have multiple SSRs. SSA establishes a new SSR for a variety of reasons. The current SSR is the most recent record of eligibility for a recipient. Prior SSRs are for previous periods of eligibility for a recipient.

number of SSI records that do not have dedicated account underpayment diaries in the future. However, as stated in our 2019 report on underpayments not identified on prior SSRs, SSA systems still do not establish diary alerts for all outstanding underpayments on prior SSI records.³³

While SSA's system established diaries for 26 of the 28 recipients to alert employees to pay the dedicated account underpayments,³⁴ there was no evidence in SSA's records to determine why SSA employees had not worked the diaries and issued the underpayments. The remaining two recipients had underpayments on prior records but did not have underpayment diaries on their current SSRs. Therefore, there were no systems controls to alert SSA employees of the existence of dedicated account underpayments for these two recipients.

Dedicated Account Underpayments for Children No Longer Receiving SSI

SSA improperly withheld dedicated account underpayments to representative payees for 37 children who were no longer receiving SSI payments because of suspension or termination.³⁵ SSA stopped payments to these recipients for such reasons as the recipients were no longer disabled or their parents' income was above the allowable limit.³⁶ Underpayments are generally payable to recipients after SSA suspends or terminates their monthly SSI payments. However, SSA systems delete underpayment diaries on terminated records. Therefore, SSA employees must establish manual controls to issue dedicated account underpayments on terminated records.³⁷ Accordingly, we determined SSA did not have adequate controls to ensure it issued remaining underpayments to children who were no longer eligible for SSI. Specifically, the diaries were not present on all the SSRs, and SSA employees did not always resolve the diaries when they were due. As a result, SSA improperly withheld underpayments, totaling \$196,325, to representative payees for 37 recipients who were no longer receiving SSI payments.

For example, in August 2011, SSA notified a child's representative payee, who was also the child's mother, that she needed to establish a dedicated account for a \$7,152 underpayment. Because the payee did not establish the required dedicated account, SSA did not issue the underpayment. In January 2013, SSA determined the child was no longer disabled and therefore ineligible for ongoing monthly SSI payments. Once SSA made this determination, dedicated account requirements no longer applied, and SSA should have paid the \$7,152 underpayment.

³³ SSA, OIG, *Follow-up: Underpayments on Prior Supplemental Security Income Records*, A-07-18-50676, p. 6 (June 2019).

³⁴ SSA, POMS, SI 02101.010, B.2 (January 13, 2014).

³⁵ SSA, POMS, SI 02301.201, B.1 (November 23, 2007).

³⁶ SSA, POMS, SI 00501.001 B (January 18, 2005).

³⁷ SSA, POMS, SI 02101.010, A.10 (January 13, 2014) and SI 02101.020 C and D (February 7, 2014).

Of the 37 recipients who are no longer receiving SSI, SSA has not paid 17 any of their dedicated account underpayments. For the remaining 20, SSA had made at least 1 installment payment but did not release the entire underpayment. As such, SSA has not paid the dedicated account underpayments, on average, for approximately 8 years.³⁸

Dedicated Account Underpayments Not Paid Timely

Based on our random sample of 100 recipients with dedicated account underpayments, SSA properly paid 16 recipients' underpayments totaling \$87,863; however, \$62,513 (71 percent) were not paid timely. For these recipients, SSA had made at least one payment to a dedicated account, but either the first or subsequent payments were not paid timely.³⁹ We acknowledge there may have been extenuating circumstances that prevented SSA employees from issuing these recipients' payments when the payments were originally due.

SSA must pay the dedicated account underpayments in installments at 6-month intervals.⁴⁰ On average, SSA did not pay the 16 recipients for approximately 3 years.⁴¹ The delayed payments to the 16 recipients ranged from 1 month to over 13 years. This occurred primarily because SSA's controls did not ensure payments were made at the appropriate 6-month intervals. Specifically, the diaries were not present on all the SSRs, and SSA employees did not always resolve the diaries when they were due. While SSA systems automate installment payments to regular bank accounts, SSA employees must manually issue installment payments to established dedicated accounts.⁴² In addition, SSA staff did not manually control the issuance of the underpayments after the children's SSI payments were terminated.

For example, in January 2015, SSA notified a child's representative payee, who was also the child's father, that he needed to establish a dedicated account for an underpayment due the child. SSA paid the first installment of \$2,389 in February 2015; therefore, SSA should have issued the next payment of \$2,400 in August 2015. However, SSA did not pay the second installment until July 2017—almost 2 years after the installment payment was due.

³⁸ The mean is 8 years and median is 7 years.

³⁹ Of these 16 recipients, 4 had remaining underpayment balances as of April 2019.

⁴⁰ SSA, *POMS*, SI 02101.010, A.6 (January 13, 2014).

⁴¹ The mean is 3 years and median is 2 years.

⁴² SSA, *POMS*, SI 02101.020, D.4 (February 7, 2014).

Status of Prior Audit Findings

SSA improperly withheld 63 (38 percent) of the 166 underpayments identified in our 2010 audit.⁴³ Agency management stated it referred the cases to its regional offices in July 2012 but could not determine why corrective action was not taken. As of July 2019, we found the following.

- SSA had improperly withheld dedicated account underpayments, totaling \$233,023, payable to 63 of the 166 sample recipients. Since our 2010 audit,⁴⁴ SSA had issued partial underpayments to 6 of the 63 recipients but had not issued any underpayments to the remaining 57 recipients.
- SSA should have applied underpayments, totaling \$10,243, to reduce or recover outstanding overpayments from five recipients.⁴⁵

Also, to determine why 3,914 recipients from the 2010 audit population remained in our current audit population, we randomly selected 30 recipients to review. Our review confirmed the dedicated account issues in our 2010 audit still exist. As of May 2019, we found the following.

- SSA had improperly withheld dedicated account underpayments, totaling \$55,896, to 18 of the 30 sample recipients. SSA issued partial underpayments to 2 of the 18 recipients but had not issued any underpayments to the remaining 16 recipients.
- SSA should have applied underpayments, totaling \$21,658, to reduce or recover the outstanding overpayments from 11 recipients.⁴⁶
- SSA had applied a \$12,376 underpayment to reduce the outstanding overpayment to one recipient.

We provided information on the 81 recipients⁴⁷ to SSA for review and corrective action. As previously stated, we acknowledge there may be extenuating circumstances that prevent SSA from issuing the underpayments to the recipients identified in our prior audit on a given date.

⁴³ SSA, OIG, *Dedicated Account Underpayments Payable to Children*, A-09-09-29110, p. C-1 (November 2010).

⁴⁴ SSA, OIG, *Dedicated Account Underpayments Payable to Children*, A-09-09-29110, p. 2 (November 2010). We reviewed the SSR as of January 2009.

⁴⁵ SSA, POMS, SI 02101.002, A.3 (January 5, 2015) and SI 02101.003 B (August 26, 2013).

⁴⁶ SSA, POMS, SI 02101.002, A.3 (January 5, 2015) and SI 02101.003 B (August 26, 2013).

⁴⁷ These 81 underpayments are from the 2010 audit population.

CONCLUSIONS

SSA should have released underpayments to 65 of the 100 sampled recipients before our review. We estimate SSA improperly withheld approximately \$78 million in dedicated account underpayments from approximately 14,000 recipients. Of these, approximately 3,000 recipients were identified in our 2010 audit⁴⁸ and were due approximately \$12.6 million in underpayments. Generally, this occurred because SSA did not have adequate controls to ensure representative payees established dedicated accounts or paid installment payments according to policy. SSA needs to improve controls to ensure it pays dedicated account underpayments to representative payees for the children in their care. This could include

- establishing management information reports to alert employees of aged dedicated account underpayments,
- retaining diaries on terminated SSRs to remind SSA employees to issue underpayments, and
- automating installment payments to established dedicated accounts at 6-month intervals.

RECOMMENDATIONS

We recommend SSA:

1. Take corrective action on the 65 recipients identified by our current audit and the 81 recipients identified in our 2010 audit.
2. Identify and take corrective action on the remaining population of SSI recipients with unpaid dedicated account underpayments.
3. Improve controls to ensure it timely pays dedicated account underpayments for children receiving SSI, such as establishing management reports, retaining diaries, and/or adding automation as discussed in the report.

AGENCY COMMENTS

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

⁴⁸ SSA, OIG, *Dedicated Account Underpayments Payable to Children*, A-09-09-29110, (November 2010).

OTHER MATTERS

SSA Employees Unnecessarily Required Dedicated Accounts

SSA employees incorrectly required that 8 (12 percent) of the 65 representative payees in our sample establish dedicated accounts for \$46,888 in underpayments. This occurred because SSA systems included current, and sometimes the next month's, payments in the initial underpayment computations.⁴⁹ As a result, SSA withheld the underpayments while the representative payee established the dedicated account. On average, SSA had not paid the dedicated account underpayments for approximately 5 years.⁵⁰ We provided these eight cases to SSA.

If SSA systems could release recipients' payments for the current and next month before the system computes the underpayments, it would prevent SSA employees from unnecessarily requiring that representative payees establish dedicated accounts. Dedicated account rules should only apply if the underpayment is more than six times the SSI payment amount. While SSA employees can manually release the current and next month's payments to regular accounts, we found SSA employees do not always take those necessary manual actions. Without that action, SSA employees are requiring that representative payees establish dedicated accounts when such accounts are not actually necessary.

Dedicated Account History

The *Social Security Act* requires that representative payees for disabled SSI recipients under age 18 establish and maintain an account in a financial institution for certain past-due benefit payments made on or after August 23, 1996.⁵¹ The dedicated account requirements were established, in part, because of concerns that large, lump-sum payments were subject to misuse by representative payees. Requiring the establishment of a dedicated account was designed to increase the likelihood that benefits would be spent on the child's needs.⁵²

A dedicated account must be separate from any other account into which regular monthly SSI payments are deposited.⁵³ Representative payees must only use the funds for medical treatment, education, job skills training, or expenditures related to a child's impairment.⁵⁴ Additionally, dedicated account funds are excluded from resources when SSA determines eligibility for SSI

⁴⁹ SSA, *POMS*, SI 02101.010, A.7 (January 13, 2014).

⁵⁰ For the eight dedicated account underpayments, the mean is 5 years and median is 3 years.

⁵¹ *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Pub. L. No. 104-193, § 213, 110 Stat. 2105, and *Social Security Act*, 42 U.S.C. § 1383(a)(2)(F) ([govinfo.gov](#) 2017); SSA, *POMS*, SI 02101.010, A.1 (January 13, 2014) and GN 00603.025, B.1 (October 22, 2008).

⁵² *Social Security Advisory Board Statement on the Supplemental Security Income Program*, p. 7 (2019).

⁵³ SSA, *POMS*, GN 00603.025, B.1 (October 22, 2008).

⁵⁴ SSA, *POMS*, GN 00602.140, B.1 (December 4, 2012).

payments, which allows a representative payee the use of the funds over a longer period without jeopardizing the child's eligibility to SSI.⁵⁵ In 2018, Congress passed legislation that amended the *Social Security Act* to exempt parents living in the same household with their minor children from annual representative payee accounting requirements.⁵⁶ This type of limited exemption might also be appropriate for dedicated accounts.

SSA's Fiscal Year 2020 budget includes a legislative proposal to eliminate the dedicated accounts requirements, as "... these requirements confuse representative payees, who are often parents, and restrict their ability to decide which expenditures are in the best interests of their disabled children."⁵⁷ Additionally, the Social Security Advisory Board stated that payees often do not understand why the funds in these accounts are subject to rules different from those that apply to regular monthly payments for which they are also responsible. Finally, the Board has stated that dedicated accounts are burdensome and an "... unduly complex administrative workload for both representative payees and SSA frontline staff."⁵⁸



Rona Lawson
Assistant Inspector General for Audit

⁵⁵ SSA, POMS, SI 02101.010, A.5 (January 13, 2014).

⁵⁶ *Strengthening Protections for Social Security Beneficiaries Act of 2018*, Pub. L. No. 115-165, § 102, 132 Stat. 1257, and SSA, POMS, GN 00605.015, B and C.2 (March 13, 2019).

⁵⁷ SSA, *Fiscal Year 2020 Budget Overview*, pp. 35 and 36 (2019).

⁵⁸ *Social Security Advisory Board Statement on the Supplemental Security Income Program 2019*, pp.8 and 9 (2019).

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and sections of the Social Security Administration’s (SSA) Program Operations Manual System.
- Obtained an understanding of SSA’s processing of dedicated account underpayments.
- Obtained a data extract from SSA’s Supplemental Security Record. This extract contained all recipients with a dedicated account underpayment as of September 2017.¹ We removed any recipients with underpayments for which SSA had a diary to make installment payments to an established dedicated account. This resulted in a population of 21,528 recipients with dedicated account underpayments totaling approximately \$124 million. Of these, 3,914 SSI recipients also had underpayments payable in our 2010 audit population.²
- Selected a random sample of 100 recipients for review.
- Reviewed SSA’s Supplemental Security Record for each sampled recipient to determine whether SSA had fully paid the underpayments or started installment payments as of April 2019.
- Reviewed SSA’s Modernized Supplemental Security Income Claims, Online Retrieval, and Paperless Read Only Query Systems for supporting information, as applicable, for select sampled recipients.
- Reviewed the 166 cases identified in our 2010 audit to determine whether SSA had taken corrective action to resolve the unpaid underpayments as of July 2019.³
- Selected and reviewed a random sample of 30 recipients from the 3,914 recipients from the 2010 audit population who remained in our current population to determine why the underpayments remain on SSA records.⁴
- Provided SSA with the names of the recipients we identified with underpayments for review and corrective action.

¹ The earliest possible date these underpayments were established was August 1996, when the dedicated account requirements became effective. The latest possible date these underpayments were established was September 2017, when we obtained the data from the Supplemental Security Record.

² SSA, OIG, *Dedicated Account Underpayments Payable to Children, A-09-09-29110*, (November 2010).

³ SSA, OIG, *Dedicated Account Underpayments Payable to Children, A-09-09-29110*, (November 2010).

⁴ SSA, OIG, *Dedicated Account Underpayments Payable to Children, A-09-09-29110*, (November 2010).

The principal entities reviewed were the Offices of the Deputy Commissioners for Operations and Systems. We conducted our audit in Birmingham, Alabama, and Atlanta, Georgia, between August 2018 and July 2019. We determined the data used in this review were sufficiently reliable given our review objective and its intended use. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained a data extract from the Social Security Administration’s (SSA) Supplemental Security Record that contained all recipients with a dedicated account underpayment as of September 2017.¹ We removed any Supplemental Security Income recipients with underpayments for which SSA had a diary to make installment payments to an established dedicated account. This resulted in a population of 21,528 recipients with a dedicated account underpayment totaling approximately \$124 million. Of these, 3,914 recipients also had underpayments in our 2010 audit population.²

From the population of 21,528, we selected a random sample of 100 recipients to determine whether SSA had paid the underpayments or started installment payments as of April 2019. Of these 100 recipients, 21 were included in both our current and prior 2010 audit populations. Our sample was selected from the entire population of 21,528.³

Of the 100 recipients in our sample, we found that SSA improperly withheld 65 recipients dedicated account underpayments totaling \$363,052. Projecting these results to our population of 21,528 recipients, we estimate SSA had not paid 13,993 recipients approximately \$78 million in dedicated account underpayments.

The following tables provide the details of our sample results and statistical projections.

Table B–1: Population and Sample Size

Description	Number of Recipients	From the Prior Population	From the Current Population
Population Size	21,528	3,914	17,614
Sample Size	100	21	79

¹ The earliest possible date these underpayments were established was August 1996, when the dedicated account requirements became effective. The latest possible date these underpayments were established was September 2017, when we obtained the data from the Supplemental Security Record.

² SSA, OIG, *Dedicated Account Underpayments Payable to Children*, A-09-09-29110, (November 2010).

³ We concluded the sample represents the entire population. One factor we considered is that there were similar percentages of recipients from the prior 2010 audit in our population and our sample. That is, 3,914 (18 percent) recipients from the prior 2010 audit population remained in the 21,528 current population. For our sample, 21 (21 percent) of the 100 recipients were also present in the prior audit population.

Table B–2: Dedicated Account Underpayments Payable to Recipients

Description	Both Current and Prior Populations		Current Population		Prior Population	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
Sample Results	65	\$363,052	51	\$304,383	14	\$58,669
Point Estimate	13,993	\$78,157,822	10,979	\$65,527,495	3,014	\$12,630,327
Projection — Lower Limit	12,145	\$61,651,239	9,120	\$48,627,240	1,868	\$6,909,353
Projection — Upper Limit	15,695	\$94,664,404	12,829	\$82,427,749	4,521	\$18,351,301

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

Appendix C – DISABILITY ANALYSIS

Of the 100 sampled Supplemental Security Income recipients with dedicated account underpayments in our current audit, the Social Security Administration had not paid 65 recipients \$363,052.¹ We obtained the disability information for the 65 error cases, as shown in Table C–1.

Table C–1: Disability Analysis

Disability Reason	Recipients	Percent of Total
Mental Disorders	47	72.3
Low Birth Weight and Failure to Thrive	6	9.2
Respiratory Disorders	3	4.6
Special Senses and Speech	3	4.6
Cancer	1	1.5
Cardiovascular System	1	1.5
Congenital Disorders That Affect Multiple Body Systems	1	1.5
Hematological Disorders	1	1.5
Musculoskeletal System	1	1.5
Neurological Disorders	1	1.5
Total	65	100.0

Note: Due to rounding, the total is 99.7.

¹ Of the 65 recipients, 14 were from the population we identified in our 2010 audit. SSA, OIG, *Dedicated Account Underpayments Payable to Children, A-09-09-29110*, (November 2010).

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: September 9, 2019 **Refer To:** S1J-3

To: Gail S. Ennis
Inspector General

From: Stephanie Hall
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Dedicated Account Underpayments Payable to Children Receiving Supplemental Security Income” (A-04-18-50607) -- INFORMATION

Stephanie Hall (Signature)

Thank you for the opportunity to review the draft report. We agree with the recommendations and we will take prompt action to begin resolving the cases with underpayments identified in this audit. We will remind our employees of the importance of timely working diaries that alert them to the existence of a pending dedicated account underpayment. We will also explore options for improving existing controls to ensure the timely release of underpayments.

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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