

Audit Report

Active Representative Payees Who
Are Not in the Social Security
Administration's Electronic
Representative Payee System

MEMORANDUM

Date: February 15, 2017 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Active Representative Payees Who Are Not in the Social Security Administration's Electronic Representative Payee System (A-09-14-34120)

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 did not make payments to representative payees who were not in its electronic representative payee system as required.

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
Gale Stallworth Stone

Attachment

Active Representative Payees Who Are Not in the Social Security Administration's Electronic Representative Payee System

A-09-14-34120



February 2017

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it did not make payments to representative payees who were not in its electronic representative payee system (eRPS) as required.

Background

In April 2016, SSA implemented eRPS and populated it with information from its legacy payee system (which it established in 1992). SSA employees use eRPS to take and process representative payee applications and make representative payee determinations.

An individual's Social Security number (SSN) is required to establish a representative payee in eRPS, and SSA's automated systems process the information and update the Master Beneficiary (MBR) or Supplemental Security Records (SSR). However, SSA policy allows certain individuals who do not have an SSN to serve as representative payees. This includes undocumented noncitizens who have minor children and applicants who reside outside the United States.

We identified 22,106 beneficiaries who, according to the MBR or SSR, had a representative payee. However, according to eRPS, there was no representative payee information for these beneficiaries.

Findings

SSA needs to improve its controls to ensure it does not make payments to representative payees who are not in eRPS. In addition, we found that SSA did not always retain representative payee applications. Although a control exists in eRPS to ensure new representative payees selected after the system's implementation in April 2016 are recorded in both eRPS and the MBR/SSR, we estimate that 20,116 beneficiaries had representative payees recorded on the MBR/SSR as of January 2014 that SSA had not properly established in eRPS. Of these, we estimate that 5,084 beneficiaries had a representative payee for whom there was no paper application supporting SSA's selection of the representative payees. As of December 2015, SSA had paid these representative payees approximately \$218 million.

This occurred because SSA did not take appropriate action to record the representative payees in its representative payee system (the predecessor to eRPS), and they were subsequently excluded from eRPS. In addition, SSA employees did not always obtain or retain paper applications, as required. Finally, SSA's systems did not generate alerts when there was an active representative payee on the MBR/SSR for whom there was no eRPS record.

Recommendations

We recommend that SSA:

1. Take appropriate action to establish in eRPS records for the 91 beneficiaries identified by our audit.
2. Evaluate the results of its corrective action for the 91 beneficiaries and determine whether it should take appropriate action to address the remaining population of beneficiaries identified by our audit.
3. Remind employees to retain paper applications as required.

SSA agreed with our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
Policies and Procedures for Representative Payee Applications	3
Representative Payees Not in eRPS	4
Incorrect Identifying Information for Representative Payees.....	4
Conclusions.....	5
Recommendations.....	6
Agency Comments.....	6
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments.....	C-1

ABBREVIATIONS

eRPS	Electronic Representative Payee System
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operation Manual System
RPS	Representative Payee System
SSA	Social Security Administration
SSN	Social Security Number
SSR	Supplemental Security Record
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it did not make payments to representative payees who were not in its electronic representative payee system (eRPS) as required.

BACKGROUND

The Old-Age, Survivors and Disability Insurance program¹ provides monthly benefits to retired and disabled workers, including their dependents and survivors. The Supplemental Security Income program² provides payments to financially needy individuals who are aged, blind, and/or disabled.

SSA appoints representative payees to receive and manage the payments of those beneficiaries who cannot manage or direct the management of their own benefits because of their youth or mental and/or physical impairments. A representative payee may be an individual or organization. SSA selects representative payees when it would serve the beneficiaries' interests.³

In April 2016, SSA implemented eRPS and populated it with information from its legacy representative payee system (RPS).⁴ SSA uses eRPS to take and process representative payee applications. SSA employees also use information in eRPS to make representative payee determinations.⁵

An individual's Social Security number (SSN) is required to establish a representative payee in eRPS. SSA's automated systems process the representative payee's information and update the Master Beneficiary (MBR) or Supplemental Security Records (SSR). The information in eRPS for individual representative payees includes the representative payee's name, SSN, relationship to the beneficiary, and performance as a representative payee. For organizations, eRPS includes the name, address, and Employer Identification Number.⁶

SSA policy allows certain individuals who do not have an SSN to serve as representative payees. This includes undocumented noncitizens who have minor children and applicants who reside outside the United States. SSA employees must verify these individuals' identities with

¹ The *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² The *Social Security Act* § 1602 and 1611, 42 U.S.C. § 1381a and 1382.

³ The *Social Security Act*, §§ 205(j)(1)(A) and 1631(a)(2)(A)(ii), 42 U.S.C. §§ 405(j)(1)(A) and 1383(a)(2)(A)(ii).

⁴ The legacy RPS was established in September 1992.

⁵ SSA, POMS, GN 00502.120 (April 15, 2016).

⁶ SSA, POMS, GN 00502.117 (April 14, 2014).

acceptable evidence, such as a Government-issued identification.⁷ Since these payees do not have an SSN, SSA employees cannot establish and process the application in eRPS. Instead, SSA employees must take a paper application⁸ and record the representative payee's name and address on the MBR/SSR. Finally, SSA uses the information in eRPS to assess representative payees' continuing suitability. For example, SSA matches prisoner and fugitive felon information with eRPS to identify individual representative payees who have been incarcerated⁹ or have unsatisfied fugitive felon warrants.¹⁰

We identified 22,106 beneficiaries who, according to the MBR/SSR, had a representative payee as of January 2014. However, according to eRPS, there was no representative payee information for these beneficiaries. From this population, we selected a random sample of 100 beneficiaries for review (see Appendix A).

RESULTS OF REVIEW

SSA needs to improve its controls to ensure it does not make payments to representative payees who are not in eRPS. Although a control exists in eRPS to ensure new representative payees selected after the system was implemented in April 2016 are recorded in both eRPS and the MBR/SSR,¹¹ we estimate that 20,116 beneficiaries had representative payees recorded on the MBR/SSR as of January 2014 that SSA had not properly established in eRPS. Of these, we estimate that 5,084 beneficiaries had a representative payee that was not in eRPS, and there was no paper application supporting their selection. As of December 2015, SSA had paid these representative payees approximately \$218 million (see Appendix B).

This occurred because SSA did not take appropriate action to record the representative payees in RPS¹² and did not always obtain or retain paper applications, as required. Finally, SSA's systems did not generate alerts when there was an active representative payee on the MBR/SSR for whom there was no eRPS record.

⁷ SSA, POMS, GN 00502.110.A (April 15, 2016), GN 00502.117 (April 14, 2014), and GN 00502.190 (April 15, 2016).

⁸ SSA, POMS, GN 00502.115 (April 15, 2016) and GN 00502.190 (April 15, 2016).

⁹ SSA, POMS, GN 00504.103 (May 16, 2016).

¹⁰ SSA, POMS, GN 00504.102 (April 15, 2016).

¹¹ According to SSA, beginning in April 2016, the SSNs for new representative payees on the MBR and SSR are checked against the SSNs in eRPS and an alert is created if the SSN is not in eRPS. An SSA employee needs to investigate to determine whether the case meets an exception for not being in eRPS and take steps to clear the alert. Our population of cases was identified before eRPS' April 2016 implementation. Therefore, we did not determine whether this alert was working as intended.

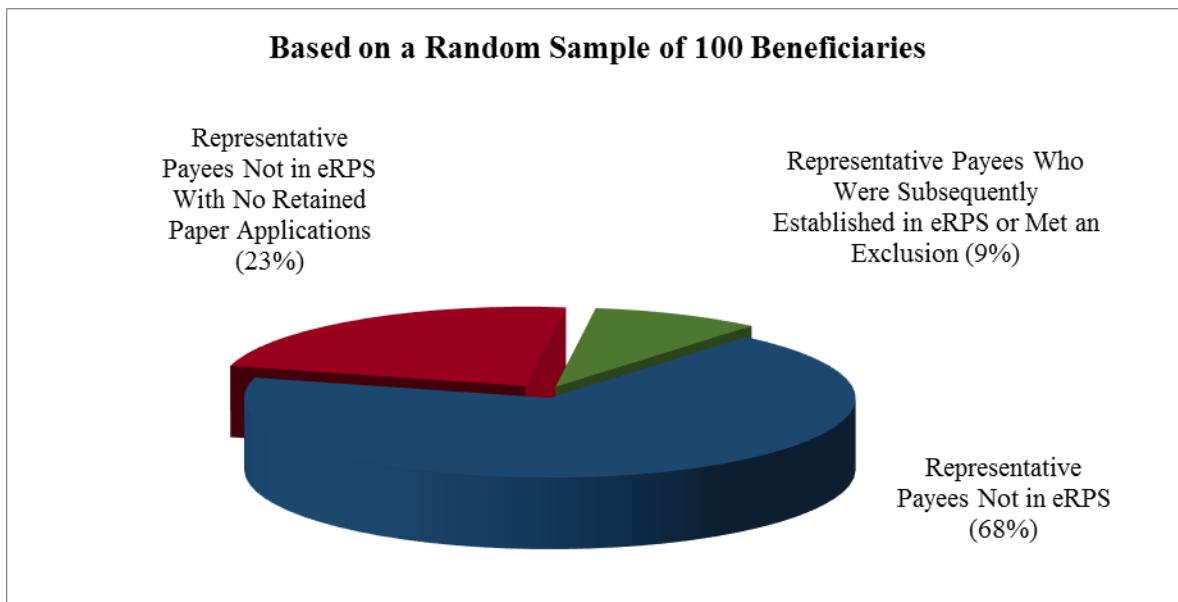
¹² Since the representative payees were excluded from RPS (the predecessor to eRPS), they were also subsequently excluded from eRPS.

For the 100 beneficiaries in our sample, we found the following:

- 91 had representative payees that were not in eRPS.¹³ This included 68 beneficiaries whose representative payees were not in eRPS and for whom there was a paper application. It also included 23 beneficiaries whose representative payees were not in eRPS and for whom there was no paper application supporting SSA's selection of the individuals or organizations.
- 9 had representative payees that SSA subsequently established in eRPS or met an SSA exclusion for not being in eRPS.¹⁴

Figure 1 summarizes the results of our review.

Figure 1: Representative Payees Not in eRPS



Policies and Procedures for Representative Payee Applications

When SSA employees process representative payee applications, they ask questions to help assess the suitability of representative payee applicants. The interview questions vary depending on the answers to each question. Information on the application includes the applicant's proof of identity; contact information, including address and telephone number; and relationship to the claimant. It also includes whether the applicant has custody or is the beneficiary's legal guardian. SSA employees are also required to ask about the applicant's criminal history, request permission to run a background check, determine the applicant's income and capability, and

¹³ This included two representative payees who were excluded from RPS for 10 years or longer before SSA established them in eRPS.

¹⁴ Of these nine beneficiaries, seven had representative payees that were subsequently established in eRPS, and two were properly excluded from eRPS because they were undocumented noncitizen parent representative payees.

determine whether the applicant is receiving Social Security benefits or Supplemental Security Income payments. Finally, employees ask for additional information to determine why the applicant would be the best payee and how the applicant intends to meet the beneficiary's needs.¹⁵ When SSA employees cannot take an application in eRPS, they must take a paper application. This usually occurs when representative payee applicants meet one of the two eRPS exclusions of either being an undocumented noncitizen representative payee parent or a foreign-born representative payee who does not have an SSN.¹⁶

SSA uses the representative payee's SSN as recorded in eRPS to determine whether the applicant (1) has an SSN, (2) is receiving Social Security or Supplemental Security Income, (3) is a convicted felon, and (4) has previously served as a representative payee and has a history of poor representative payee performance or misuse.

SSA also uses the representative payee's SSN as recorded in eRPS to identify unreported representative payee deaths and incarcerations as well as to determine whether the representative payee is a fugitive felon.¹⁷

Representative Payees Not in eRPS

Of the 100 beneficiaries in our sample, 91 had representative payees who were not in eRPS at the time of our review.¹⁸ This included 68 beneficiaries whose representative payees were not in eRPS but for whom there was a paper application and 23 whose representative payees were not in eRPS and for whom there was no paper application. Although these representative payees served beneficiaries as recorded on the MBR/SSR, SSA employees did not establish them in eRPS or obtain or retain their paper applications. As a result, there was no evidence supporting SSA's selection of these 23 representative payees. As of December 2015, SSA had paid these representative payees \$985,873. This occurred because SSA did not record the representative payees in eRPS, or did not always obtain or retain paper applications, as required.

For example, SSA did not establish an eRPS record for an individual who had been serving as a representative payee for a beneficiary since October 2013. The representative payee received \$31,676 on the beneficiary's behalf through September 2016. Finally, SSA had not obtained or retained a representative payee application supporting its selection of the representative payee.

Incorrect Identifying Information for Representative Payees

SSA is required to verify the SSNs and Employer Identification Numbers of all representative payee applicants.¹⁹ SSA uses a representative payee's SSN or Employer Identification Number

¹⁵ SSA, POMS, GN 00502.110 (April 15, 2016).

¹⁶ SSA, POMS, GN 00502.115 (April 15, 2016).

¹⁷ SSA, POMS, GN 00502.117 (April 14, 2014), GN 00504.103 (May 16, 2016), GN 00504.102 (April 15, 2016).

¹⁸ None of these 91 representative payees met the conditions for exclusion from eRPS.

¹⁹ *Social Security Act §§ 205 (j)(2)(A) and 1631(2)(B)(i)*, SSA, POMS, GN 00502.117 (April 14, 2014).

to (1) verify the applicant's identity information, (2) determine whether the applicant is receiving Social Security or Supplemental Security Income, (3) determine whether the applicant is a convicted felon, and (4) determine whether the applicant previously served as a representative payee and has a history of poor representative payee performance or misuse. SSA also uses the SSN to identify unreported deaths of representative payees and send payees a Representative Payee Report to obtain their required accounting. For organizations applying to be a representative payee, eRPS establishes a unique identifier based on the ZIP code of the entity's physical location. Finally, SSA employees must record an individual representative payee applicant's SSN or an organization's ZIP code on the MBR/SSR and use it to establish an individual in eRPS.²⁰

Of the 91 beneficiaries in our sample that were not in eRPS, 12 had individual representative payees for whom SSA employees had recorded an incorrect SSN on the MBR/SSR. For most of these, SSA either recorded the beneficiary's SSN instead of the representative payee's SSN or made transposition errors when recording the SSN on the MBR/SSR. We were able to determine the identities (including the SSNs) for these 12 representative payees. In addition, we found that SSA had recorded incorrect identifying information for two organizations. Specifically, SSA employees recorded names and ZIP codes on the MBR/SSR for these two organizations, but we were unable to identify the organizations in eRPS using the recorded information.

CONCLUSIONS

SSA needs to improve its controls to ensure it does not make payments to representative payees who are not in eRPS as required. In addition, we found that SSA did not always retain representative payee applications. Based on our random sample, we estimate that 20,116 beneficiaries had representative payees recorded on the MBR/SSR as of January 2014 that SSA had not properly established in eRPS. Of these, 5,084 beneficiaries had a representative payee for whom there was no paper application supporting SSA's selection of the representative payee. SSA paid these representative payees approximately \$218 million (see Appendix B).

This occurred because SSA did not take appropriate action to record the representative payees in RPS as required,²¹ and SSA employees did not always obtain or retain paper applications, as required. Finally, SSA's systems did not generate alerts when there was an active representative payee on the MBR/SSR for whom there is no eRPS record.

²⁰ SSA, POMS, GN 00502.117 (April 14, 2014), and GN 00502.112 (April 15, 2014).

²¹ Since the representative payees were excluded from RPS (the predecessor to eRPS), they were also subsequently excluded from eRPS. A representative payee is not required to be established in eRPS if the payee is (1) an undocumented noncitizen representative payee parent or (2) a foreign-born representative payee who does not have an SSN. However, there should be a paper application. SSA, POMS, GN 00502.115 (April 15, 2016).

RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action to establish in eRPS records for the representative payees of the 91 beneficiaries identified by our audit.
2. Evaluate the results of its corrective action for the 91 beneficiaries and determine whether it should take appropriate action to address the remaining population of beneficiaries identified by our audit.
3. Remind employees to retain paper applications as required.

AGENCY COMMENTS

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



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

From the Social Security Administration's (SSA) Master Beneficiary (MBR) and Supplemental Security Records (SSR), we obtained a population of 22,106 beneficiaries who, according to the MBR or SSR, had a representative payee as of January 2014. However, according to the electronic Representative Payee System (eRPS), there was no representative payee information for these beneficiaries. From this population, we selected a random sample of 100 beneficiaries to determine whether SSA had adequate controls to ensure it did not make payments to representative payees for whom there was no information in eRPS.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act* and SSA's Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations and Systems;
- reviewed a random sample of 100 beneficiaries who had representative payee information on the MBR/SSR but not in eRPS;
- reviewed queries from SSA's MBR; SSR; eRPS; Numident; and, when appropriate, Online Retrieval System and Treasury Check Information System;
- verified that information about the sample representative payees was still excluded from eRPS, and, if representative payee information was present in eRPS, we determined how long it had taken SSA to establish the information;
- determined the amount of payments issued to the 23 representative payees for whom there was no information in eRPS and for whom SSA had neither obtained or retained a representative payee application, as required¹; and
- determined whether the representative payees in our sample met an SSA exclusion for not being in eRPS.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted audit work in Richmond, California, between February and August 2016. The entities audited were SSA's Offices of the Deputy Commissioners for Operations and Systems.

¹ We did not classify as errors for our dollar projection any cases where the representative payee's date of selection was before SSA's November 2005 requirement to retain paper applications in its Online Retrieval System.

We conducted our 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.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

From the Social Security Administration’s (SSA) Master Beneficiary (MBR) and Supplemental Security Records (SSR), we obtained a data extract of 22,106 beneficiaries¹ in current pay who, according to the MBR/SSR, had a representative payee as of January 2014. However, according to the electronic Representative Payee System (eRPS), there was no representative payee information for these beneficiaries. From this population, we selected a random sample of 100 beneficiaries for review. For each sampled beneficiary, we reviewed information from SSA’s MBR; SSR; eRPS; Numident;² and, when appropriate, Online Retrieval System and Treasury Check Information System to confirm whether their representative payees were on the MBR/SSR and not in eRPS. For those sample beneficiaries for whom there was no information in eRPS and for whom SSA had either not obtained or retained a representative payee application, we calculated the amount of payments issued to their representative payees.

Of the 100 beneficiaries in our sample, we found that 91 had representative payees that SSA had not properly established in eRPS. This included 68 beneficiaries whose representative payees were not in eRPS but who had a paper application and 23 whose representative payees were not in eRPS and for whom there was no paper application supporting SSA’s selection of the individuals or organizations.³ SSA paid these representative payees \$985,873. Projecting these results to the 22,106 beneficiaries, we estimate that 20,116 beneficiaries had representative payees that SSA had not properly established in eRPS. Of these, we estimate that 5,084 beneficiaries had representative payees for whom SSA had not obtained or retained a paper application. As of December 2015, SSA paid these representative payees approximately \$218 million.

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

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	22,106
Sample Size	100

¹ This included 18,075 Old-Age, Survivors and Disability Insurance beneficiaries and 4,031 Supplemental Security Income recipients. Of these, 215 beneficiaries were receiving both types of payments concurrently.

² The Numident is an electronic file that contains personally identifiable information for each individual issued a Social Security number.

³ We did not classify as errors for our dollar projection any cases where the representative payee’s date of selection was prior to SSA’s November 2005 requirement to retain paper applications in its Online Retrieval System.

Table B–2: Representative Payees Not in eRPS

Description	Beneficiaries
Sample Results	91
Point Estimate	20,116
Projection – Lower Limit	18,754
Projection – Upper limit	21,048

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

Table B–3: Payments to Representative Payees Who Had no Paper Applications

Description	Beneficiaries	Payments
Sample Results	23	\$985,873
Point Estimate	5,084	\$217,937,085
Projection – Lower Limit	3,598	\$129,054,982
Projection – Upper limit	6,845	\$306,819,189

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: January 30, 2017 **Refer To:** S1J-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall /s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Active Representative Payees Who Are Not in the Social Security Administration’s Representative Payee System” (A-09-14-34120)--
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. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“ACTIVE REPRESENTATIVE PAYEES WHO ARE NOT IN THE SOCIAL SECURITY
ADMINISTRATION’S ELECTRONIC REPRESENTATIVE PAYEE SYSTEM”
(A-09-14-34120)**

GENERAL COMMENTS

Representative payees play a significant role in many beneficiaries’ lives. We have approximately 5.7 million representative payees managing benefits for approximately 8 million beneficiaries. We have taken steps to update our policy, improve our business processes, and make systems enhancements to ensure that we make accurate payments to all beneficiaries and representative payees. We have made significant progress to transition from storing documentation in paper folders to uploading to a Certified Electronic Folder. In April 2016, we released the electronic Representative Payee System (eRPS) to centralize representative payee information and give our employees nationwide access to the same payee information. The eRPS system allows our employees to document information on every representative payee with a valid Social Security number (SSN). In addition, eRPS generates an alert when the payment record shows a payee change not documented in eRPS. This mechanism helps ensure we have the proper documentation for each representative payee on the Master Beneficiary Record/Supplemental Security Record.

Recommendation 1

Take appropriate action to establish in eRPS records for the representative payees of the 91 beneficiaries identified by our audit.

Response

We agree.

Recommendation 2

Evaluate the results of its corrective action for the 91 beneficiaries and determine whether it should take appropriate action to address the remaining population of beneficiaries identified by our audit.

Response

We agree.

Recommendation 3

Remind employees to retain paper applications as required.

Response

We agree.

MISSION

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