

Audit Report

Beneficiaries in Suspended Payment
Status Pending the Selection of a
Representative Payee

MEMORANDUM

Date: June 1, 2018 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee
(A-09-17-50202)

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 took appropriate actions for beneficiaries whose payments it withheld pending the selection of a representative payee.

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



Gale Stallworth Stone

Attachment

Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee

A-09-17-50202



June 2018

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it took appropriate actions for beneficiaries whose payments it withheld pending the selection of a representative payee.

Background

SSA selects 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 impairment.

Generally, SSA cannot withhold benefits and must make interim direct payments to incapable beneficiaries if a representative payee is not immediately available. SSA may withhold benefits for a maximum of 1 month if it determines direct payment to the beneficiary would cause substantial harm. However, the 1-month restriction does not apply to legally incompetent adults, children under age 15, or beneficiaries who have an alcohol or drug addiction and direct payment would cause substantial harm.

For our review, we identified 14,589 beneficiaries whose payments SSA withheld pending the selection of a representative payee. From this population, we selected a random sample of 100 beneficiaries for review.

Findings

We continue to find that SSA needs to improve controls to ensure it takes appropriate actions for beneficiaries whose payments it withheld pending the selection of a representative payee. Based on our random sample, we estimate SSA improperly withheld approximately \$11.2 million in payments to 4,231 beneficiaries who were age 15 or older. Also, SSA withheld approximately \$5 million in payments for 1,897 child beneficiaries under age 15 for an average of 161 days. Finally, SSA's Tracking Application did not include five beneficiaries whose payments it withheld pending the selection of a representative payee.

Recommendations

We recommend that SSA:

1. Improve controls to ensure it does not improperly withhold payments to beneficiaries age 15 or older pending the selection of a representative payee.
2. Determine whether it is appropriate to establish a timeframe for how long it should take to select representative payees for beneficiaries under age 15.
3. Take appropriate action to resolve the representative payee selections for the seven beneficiaries whose payments it continues withholding pending the selection of a representative payee.
4. Include on its Tracking Application all beneficiaries whose payments it withheld pending the selection of a representative payee.

SSA agreed with our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
Payments Withheld Pending the Selection of a Representative Payee.....	2
Payments Withheld for Beneficiaries Age 15 or Older	3
Payments Withheld for Child Beneficiaries Under Age 15.....	5
SSA Tracking System to Resolve Withheld Payments	6
Conclusions.....	7
Recommendations.....	7
Agency Comments.....	7
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments.....	C-1

ABBREVIATIONS

MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSR	Supplemental Security Record
U.S.C.	United States Code

Form

SSA-11	<i>Request to be Selected as Payee</i>
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OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it took appropriate actions for beneficiaries whose payments it withheld pending the selection of a representative payee.

BACKGROUND

SSA selects 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 impairment.¹ Generally, SSA cannot withhold benefits and must make interim direct payments to incapable beneficiaries if a representative payee is not immediately available.² In addition, if direct payment to an incapable beneficiary would cause substantial harm, SSA can only withhold benefits for a maximum of 1 month while it searches for a suitable representative payee.³

This 1-month restriction does not apply to (1) legally incompetent adults, (2) children under age 15, or (3) beneficiaries who have an alcohol or drug addiction and direct payment would cause substantial harm. SSA must suspend benefits to child beneficiaries under age 15 when no representative payees are immediately available. For these cases, SSA policy states that employees should resolve the selection of a representative payee as quickly as possible.⁴

Each month, SSA's Office of Systems identifies beneficiaries whose payments SSA withheld pending selection of a representative payee and records this information in a Tracking Application. SSA field office employees are responsible for monitoring and resolving cases in the Tracking Application.⁵

Our 2012 audit⁶ found that SSA actions were necessary to ensure employees (1) did not improperly suspend adult beneficiaries pending selection of a representative payee, (2) properly evaluated child (ages 15 through 17) beneficiaries' capability to manage benefits, and (3) selected representative payees as quickly as possible for child beneficiaries under age 15. We also found that SSA's Tracking Application did not include all beneficiaries whose payments it withheld pending selection of a representative payee. Our report included several recommendations for corrective action; SSA agreed with those recommendations.

¹ *Social Security Act*, 42 U.S.C. §§ 405(j)(1)(A), 1383(a)(2)(A)(ii) (2018).

² SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.105, sec. A and sec. B.1 (July 19, 2017).

³ *Social Security Act*, 42 U.S.C. §§ 405(j)(2)(D), 1383(a)(2)(B)(viii), 1383(a)(2)(B)(ix) (2018) and SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.105, sec. A.2 (July 19, 2017).

⁴ SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.105, sec. A.2 (July 19, 2017).

⁵ SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.150, sec. B (February 28, 2011).

⁶ SSA, OIG, *Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee*, A-09-10-11065, pp. 9 and 10 (February 2012).

For our current review, we identified 14,589 beneficiaries whose payments SSA withheld pending selection of a representative payee. From this population, we selected a random sample of 100 beneficiaries for review (see Appendix A).

RESULTS OF REVIEW

We continue to find that SSA needs to improve controls to ensure it takes appropriate actions for beneficiaries whose payments it withheld pending the selection of a representative payee. Based on our random sample, we estimate SSA

- improperly withheld approximately \$11.2 million in payments to 4,231 beneficiaries who were age 15 or older and
- withheld approximately \$5 million in payments for 1,897 child beneficiaries under age 15 for an average of 161 days (see Appendix B).

Finally, SSA's Tracking Application did not include five beneficiaries whose payments it withheld pending the selection of a representative payee.

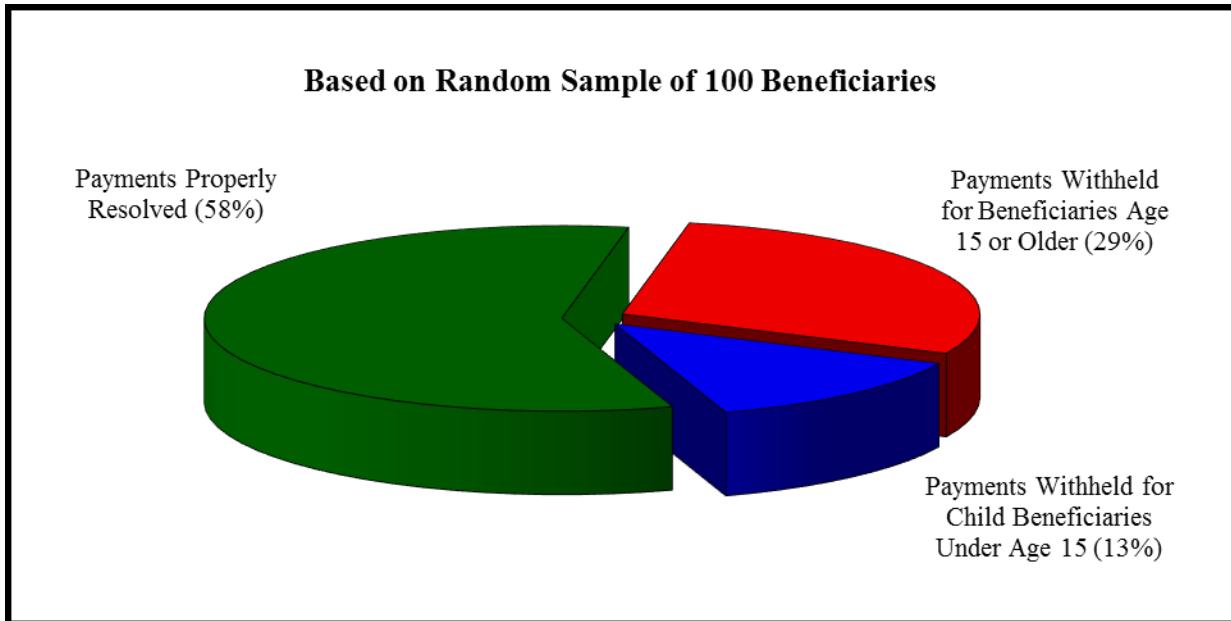
This generally occurred because SSA employees did not, or could not, contact beneficiaries to initiate direct payments, as required for beneficiaries age 15 or older. Also, SSA policy did not specify how long it should take employees to resolve the selection of a representative payee for child beneficiaries under age 15.

Payments Withheld Pending the Selection of a Representative Payee

Of the 100 beneficiaries in our sample, SSA improperly withheld from, and should have made interim direct payments to, 29 beneficiaries who were age 15 or older and withheld benefits payable to 13 child beneficiaries under age 15 for an average of 161 days.⁷ Figure 1 summarizes the results of our review.

⁷ The mean was 161 days. The median was 140 days.

Figure 1: Payments Withheld Pending the Selection of a Representative Payee



Payments Withheld for Beneficiaries Age 15 or Older

Generally, SSA cannot withhold benefits and must make interim direct payments to incapable beneficiaries if a representative payee is not immediately available.⁸ In addition, if direct payment to an incapable beneficiary would cause substantial harm, SSA can only withhold benefits for a maximum of 1 month while it searches for a suitable representative payee.⁹ This 1-month restriction does not apply to legally incompetent adults, children under age 15, or beneficiaries who have an alcohol or drug addiction and direct payment would cause substantial harm.¹⁰ Before SSA pays benefits directly to an incapable beneficiary, its policy requires that employees obtain the Form SSA-11, *Request to be Selected as Payee*, to obtain beneficiary contact information to issue payments directly to the beneficiary.¹¹

⁸ SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.105, sec. A (July 19, 2017).

⁹ *Social Security Act*, 42 U.S.C. §§ 405(j)(2)(D), 1383(a)(2)(B)(viii), 1383(a)(2)(B)(ix) (2018).

¹⁰ SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.105, sec. A.2 (July 19, 2017).

¹¹ SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.105, sec. B.2 (July 19, 2017).

SSA improperly withheld payments totaling \$76,789 for 29 beneficiaries who were age 15 or older. There was no evidence in SSA's records these beneficiaries were legally incompetent or that SSA determined direct payment would cause substantial harm. There was also no evidence that SSA had contacted 28 of the 29 beneficiaries and obtained a Form SSA-11 to initiate direct payment. According to SSA, it could not contact or pay these beneficiaries in some instances because they had custody changes or were incarcerated or in transient status. SSA withheld payments to these beneficiaries between 37 and 288 days. The average time SSA withheld payments was 125 days.¹² Table 1 summarizes the number of days SSA withheld benefits for the 29 beneficiaries.

Table 1: Number of Days Payments Withheld

Number of Days Withheld	Number of Beneficiaries
31 to 60	4
61 to 90	5
91 to 120	8
121 to 180	6
181 to 240	5
241 or over	1
Total	29

For example, in August 2015, SSA redirected a beneficiary's payments to an SSA field office because her representative payee did not submit the required accounting information. In January 2016, SSA began withholding payments while it searched for a new representative payee. However, SSA had not contacted the beneficiary and obtained a Form SSA-11 to initiate direct payment while it searched for a new representative payee. As a result, SSA improperly withheld payments while it searched for a representative payee totaling \$1,215. In October 2016, SSA selected a new representative payee and paid her past-due benefits.

¹² The mean was 130 days. The median was 115 days.

Payments Withheld for Child Beneficiaries Under Age 15

SSA must suspend benefits to child beneficiaries under age 15 when it searches for a representative payee. SSA can withhold benefits for a maximum of 1 month while it searches for a suitable representative payee.¹³ However, the 1-month restriction does not apply to beneficiaries under age 15. For these cases, SSA policy states that employees should resolve the selection of a representative payee as quickly as possible.¹⁴ Since SSA's policy does not specify a timeframe to resolve representative payee selections for beneficiaries under age 15, we used a standard of 60 days to determine whether SSA had resolved them timely.

We found that SSA had not timely paid benefits totaling \$34,124 for 13 child beneficiaries under age 15. SSA withheld payments to these beneficiaries between 61 and 370 days—the average was 161 days.¹⁵ Of the 13 children, 12 had a parent as their representative payee, and 1 had no representative payee. SSA selected the same representative payee for four children and a new representative payee for seven children. Of the seven new representative payees, five were another family member or relative, and two were a social or State agency. For the remaining two children, SSA continued withholding benefits because it did not have a proper address or their whereabouts were unknown. According to SSA, it could not timely resolve the selection of a representative payee because, in some instances, it was unable to locate or contact the beneficiary. Table 2 summarizes the number of days SSA withheld benefits for the 13 beneficiaries.

Table 2: Number of Days Payments Withheld

Number of Days Withheld	Number of Beneficiaries
61 to 90	3
91 to 120	2
121 to 150	2
151 to 180	2
181 to 210	1
211 to 370	3
Total	13

¹³ Social Security Act, 42 U.S.C. §§ 405(j)(2)(D), 1383(a)(2)(B)(viii), 1383(a)(2)(B)(ix) (2018).

¹⁴ SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.105, sec. A.2 (July 19, 2017).

¹⁵ The mean was 161 days. The median was 140 days.

For example, in November 2015, a child's grandmother applied to be his representative payee. SSA did not select the grandmother to be the representative payee because she did not provide proof of custody for the child. In March 2016, SSA took action to terminate the child's payments to the mother because she no longer lived with the child. SSA did not select the grandmother as the child's representative until August 2016, after she provided the proof of custody. As a result, SSA withheld \$2,932 in benefits for 161 days.

SSA Tracking System to Resolve Withheld Payments

SSA uses a Tracking Application to ensure employees properly resolve beneficiaries whose payments it withheld pending selection of a representative payee. SSA's Office of Systems identifies these cases each month and provides the information to its field office employees in the Tracking Application. The Application also provides management information to monitor the workload. SSA field offices are responsible for monitoring and resolving these cases.¹⁶

Our 2012 audit¹⁷ found that SSA's Tracking Application did not include all beneficiaries whose payments it withheld pending selection of a representative payee. We recommended that SSA determine and resolve the reasons the Application did not include all beneficiaries in suspended payment status pending the selection of a representative payee. SSA agreed with our recommendation but did not take corrective action to modify the Application because it did not have the available resources.

From our population of 14,589 beneficiaries, we identified 11 whose payments SSA was still withholding as of January 2018. Of the 11 beneficiaries, 6 were in SSA's Tracking Application, and 5 were not. The 11 beneficiaries had withheld benefits totaling \$116,846 for an average of 3.6 years. The five beneficiaries who were not in the Application had withheld benefits totaling \$72,128 for an average of 5 years. SSA stated these five beneficiaries were not in the Application because their addresses were in Guam or American Samoa. In January 2018, we provided the 11 cases to SSA for review. As of April 2018, SSA had terminated benefits for two beneficiaries because they attained age 18 and continued withholding benefits for two beneficiaries because their addresses or whereabouts were unknown. SSA had not taken action for the remaining seven beneficiaries.

¹⁶ SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00504.150, sec. B (February 28, 2011).

¹⁷ SSA, OIG, *Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee*, A-09-10-11065, p. 10 (February 2012).

CONCLUSIONS

We continue to find that SSA needs to improve controls to ensure it takes appropriate actions for beneficiaries whose payments it withheld pending selection of a representative payee. Based on our random sample, we estimate SSA improperly withheld approximately \$11.2 million in payments to 4,231 beneficiaries who were age 15 or older. Also, SSA withheld approximately \$5 million in payments for 1,897 child beneficiaries under age 15 for an average of 161 days (see Appendix B). Finally, SSA's Tracking Application did not include five beneficiaries whose payments it withheld pending the selection of a representative payee.

This generally occurred because SSA employees did not, or could not, contact beneficiaries to initiate direct payments, as required for beneficiaries age 15 or older. In addition, SSA policy did not specify how long it should take employees to select a representative payee for child beneficiaries under age 15.

RECOMMENDATIONS

We recommend that SSA:

1. Improve controls to ensure it does not improperly withhold payments to beneficiaries age 15 or older pending the selection of a representative payee.
2. Determine whether it is appropriate to establish a timeframe for how long it should take to select representative payees for beneficiaries under age 15.
3. Take appropriate action to resolve the representative payee selections for the seven beneficiaries whose payments it continues withholding pending the selection of a representative payee.
4. Include on its Tracking Application all beneficiaries whose payments it withheld pending the selection of a representative payee.

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

Based on a data extract from the Social Security Administration’s (SSA) Master Beneficiary (MBR) and Supplemental Security Records (SSR), we identified 14,589 beneficiaries who were in suspended payment status pending the selection of a representative payee as of April 2016. From this population, we selected a random sample of 100 beneficiaries to determine whether SSA had adequate controls to ensure it took appropriate actions for beneficiaries whose payments it withheld pending the selection of a representative payee.

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 Policy, Systems, and Operations;
- reviewed queries from SSA’s MBR, SSR, electronic Representative Payee System, and Online Retrieval System;
- reviewed queries from the Department of the Treasury’s Treasury Check Information System; and
- verified the Tracking Application included all beneficiaries in suspended payment status pending the selection of a representative payee.

We determined the computer-processed data from the MBR and SSR were sufficiently reliable for our intended purpose. We tested the data to determine their completeness and accuracy. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We performed audit work in Richmond, California, and Baltimore, Maryland, between June 2017 and April 2018. The entity audited was the Office of Operations under the Office of the Deputy Commissioner for Operations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

From the Social Security Administration’s (SSA) Master Beneficiary and Supplemental Security Records, we obtained a data extract of 14,589 beneficiaries who were in suspended payment status pending selection of a representative payee as of April 2016. We selected a random sample of 100 beneficiaries to determine whether SSA had adequate controls to ensure it took appropriate actions for beneficiaries whose payments it withheld pending selection of a representative payee.

Payments Withheld for Beneficiaries Age 15 or Older

SSA improperly withheld benefits totaling \$76,789 for 29 beneficiaries who were age 15 or older. SSA withheld these benefits for an average of 125 days. These beneficiaries should have received direct payment until SSA selected a representative payee. Projecting these results to our population of 14,589 beneficiaries, we estimate SSA had improperly suspended about \$11.2 million in benefits to 4,231 beneficiaries.

Payments Withheld for Child Beneficiaries Under Age 15

SSA did not timely pay benefits totaling \$34,124 to 13 child beneficiaries under age 15. SSA withheld these benefits for an average of 161 days. Projecting these results to our population of 14,589 beneficiaries, we estimate SSA withheld about \$5 million in benefits to 1,897 beneficiaries.

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

Table B–1: Population and Sample Size

Description	Number of Beneficiaries
Population Size	14,589
Sample Size	100

Table B–2: Benefits Withheld for Beneficiaries Age 15 or Older

Description	Number of Beneficiaries	Benefits Withheld
Sample Results	29	\$76,789
Point Estimate	4,231	\$11,202,747
Projection - Lower Limit	3,153	\$6,579,153
Projection - Upper Limit	5,448	\$15,826,342

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

Table B–3: Benefits Withheld for Child Beneficiaries Under Age 15

Description	Number of Beneficiaries	Benefits Withheld
Sample Results	13	\$34,124
Point Estimate	1,897	\$4,978,350
Projection - Lower Limit	1,150	\$1,840,306
Projection - Upper Limit	2,895	\$8,116,395

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 23, 2018 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

A handwritten signature in blue ink that reads "Stephanie Hall".

From: Stephanie Hall
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee" (A-09-17-50202) -- 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 Trae Sommer at (410) 965-9102.

Attachment

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, “BENEFICIARIES IN SUSPENDED PAYMENT STATUS PENDING THE SELECTION OF A REPRESENTATIVE PAYEE” (A-09-17-50202)

GENERAL COMMENTS

We take seriously our responsibility to select the most qualified and appropriate representative payee for our beneficiaries. Approximately six million representative payees assist more than eight million Social Security or Supplemental Security Income beneficiaries in managing their benefits. When an individual requires a new or different representative payee, we strive to make a timely selection; however, in certain instances, if we cannot immediately locate an appropriate representative payee, we must suspend payment while we work to find a new representative payee. We recognize the hardship this type of suspension can create, and we will continue to evaluate ways to improve our controls to ensure timely selection of representative payees.

Recommendation 1

Improve controls to ensure it does not improperly withhold payments to beneficiaries age 15 or older pending the selection of a representative payee.

Response

We agree.

Recommendation 2

Determine whether it is appropriate to establish a timeframe for how long it should take to select representative payees for beneficiaries under age 15.

Response

We agree.

Recommendation 3

Take appropriate action to resolve the representative payee selections for the seven beneficiaries whose payments it continues withholding pending the selection of a representative payee.

Response

We agree.

Recommendation 4

Include on its Tracking Application all beneficiaries whose payments it withheld pending the selection of a representative payee.

Response

We agree.

MISSION

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