
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**BENEFITS PAID TO TITLE II
BENEFICIARIES WITH
A CHILD-IN-CARE**

June 2009 A-01-09-29070

AUDIT REPORT



Mission

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

Authority

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

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

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

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- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

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SOCIAL SECURITY

MEMORANDUM

Date: June 26, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Benefits Paid to Title II Beneficiaries with a Child-in-Care (A-01-09-29070)

OBJECTIVE

Our objective was to determine whether Title II beneficiaries who received benefits because they had a child in their care were entitled to the benefits paid to them.

BACKGROUND

Certain spouses and divorced spouses of retired or disabled workers may be paid benefits under Title II of the *Social Security Act* if they have an eligible child beneficiary in their care. In addition, benefits may also be payable to certain surviving spouses of deceased workers.¹ To be eligible for child-in-care benefits, these beneficiaries must have in their care a

- child beneficiary under age 16,
- mentally disabled child age 16 or older, or
- physically disabled child age 16 or older for whom they are providing personal services, such as feeding or dressing.

The Social Security Administration (SSA) uses its Title II Redesign (T2RD) system to analyze information in the Agency's systems each month to determine whether the last child in a beneficiary's care is no longer entitled to benefits or has reached age 16. In most cases, the system should automatically stop child-in-care benefits when these situations occur.

¹ The *Social Security Act* § 202 *et seq.*, 42 U.S.C. § 402 *et seq.*

The T2RD system also automatically identifies beneficiaries receiving child-in-care benefits 5 months prior to the last child on the record attaining age 16. These beneficiaries are sent a notice informing them that benefits will end when the last child on the record reaches age 16 unless the child is disabled.

To perform our review, we identified 1,299 Title II beneficiaries—receiving child-in-care benefits as of June 2008—who did not appear to have an eligible child in their care. These cases consisted of two populations.

- 1,065 Title II beneficiaries who had a child in their care who was age 16 or older. There was no other child under age 16 on the records. We randomly selected 200 cases from this population for detailed analysis.
- 234 Title II beneficiaries who had a physically disabled child in their care who was age 16 or older. There was no other child under age 16 on the records. In addition, the ZIP Codes for these child beneficiaries did not match the corresponding ZIP Codes of the Title II beneficiaries. Therefore, it appeared these Title II beneficiaries were not providing personal services for these child beneficiaries since they did not reside at the same address. We randomly selected 50 cases from this population for detailed analysis.

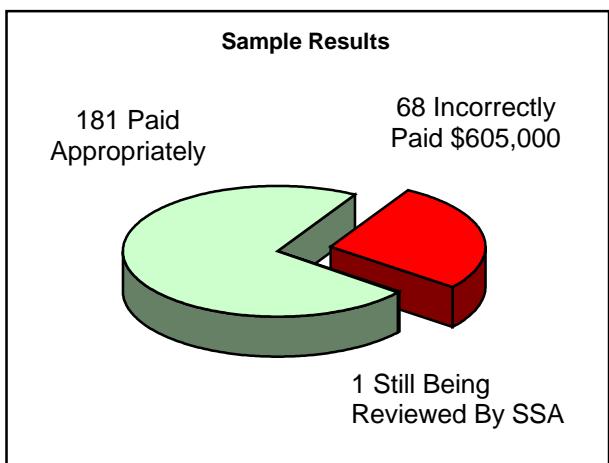
In total for the 2 samples, we randomly selected 250 cases for detailed analysis. (See Appendix B for more information on our scope, methodology, and sample results.)

RESULTS OF REVIEW

We found that some beneficiaries who received child-in-care benefits were not entitled to the benefits paid to them. Based on our review of the two samples, we estimate about \$3.0 million in incorrect benefit payments went undetected by SSA. This includes about \$2.6 million in overpayments to approximately 287 beneficiaries and about \$450,000 in adjusted benefits to approximately 150 beneficiaries.²

In addition, we estimate SSA will continue to incorrectly pay about \$1.8 million over the next 12 months to individuals who are no longer entitled to child-in-care benefits if the Agency does not take action.

² These adjusted benefits are overpayments that are offset against underpayments due other family members.



Of the 250 beneficiaries in our 2 samples

- 68 (27 percent) were incorrectly paid about \$605,000 because they did not have an eligible child in their care,³
- 181 (72 percent) were appropriately paid child-in-care benefits, and
- 1 (1 percent) was still being reviewed by SSA as of June 2009.

BENEFICIARIES INCORRECTLY PAID CHILD-IN-CARE BENEFITS

Of the 250 beneficiaries in our 2 samples, 68 were incorrectly paid about \$605,000 in child-in-care benefits. Of this amount, about \$584,000 to 65 beneficiaries went undetected by the Agency.⁴ This includes about \$499,000 in overpayments to 55 beneficiaries and about \$85,000 in adjusted benefits to 29 beneficiaries.⁵ For 19 beneficiaries, both overpayments and adjustments to benefits resulted. See the table below for a breakout of overpayments and adjustments.

Breakout of Overpayments and Adjustments				
Case Type	Number of Cases	Overpayment Amount	Adjustment Amount	Total Amount Incorrectly Paid Not Detected by SSA
Overpayment Only	36	\$409,360		\$409,360
Adjustment Only	10		\$36,391	\$36,391
Both Overpayment and Adjustment	19	\$89,743	\$48,205	\$137,948
Total	65	\$499,103	\$84,596	\$583,699

³ This includes two beneficiaries incorrectly paid about \$68,083. SSA was still correcting these records in June 2009.

⁴ SSA identified about \$21,000 in overpayments to three beneficiaries before our audit.

⁵ Because of our audit, SSA saved about \$346,000 by stopping benefit payments for 47 of these beneficiaries that otherwise would have been paid over the next 12 months. For the 55 beneficiaries overpaid, overpayment periods ranged from 5 to 143 months, with an average of about 20 months. The median was 13 months.

T2RD SYSTEM

SSA uses its T2RD system to detect individuals who may be incorrectly receiving child-in-care benefits. However, within our 2 samples, we found that 65 beneficiaries were incorrectly paid child-in-care benefits and these cases were not identified by the T2RD system. We researched available data on SSA's systems and contacted Agency personnel to determine why T2RD did not stop child-in-care benefits to these beneficiaries and found that

- 33 beneficiaries' claims were processed incorrectly by SSA staff and, as a result, were not detected by T2RD; and
- 8 beneficiaries were no longer providing personal services for their physically disabled child—and T2RD does not have any automated controls to detect these types of cases.

We were unable to determine why the remaining 24 cases were not detected by T2RD.

Beneficiary Claims Processed Incorrectly

In 33 sample cases, SSA staff processed beneficiaries' claims incorrectly and, as a result, the cases were not detected by T2RD. For example

- In one case, necessary information about the child-in-care was not entered into SSA's system. As a result, T2RD did not detect the case when the child reached age 16 in October 2007. In this case, the maximum amount of benefits payable to the family members was \$473 per month. Therefore, the mother and child were each receiving \$236 per month. Based on our audit, SSA stopped benefit payments to the mother and increased the child's monthly check to \$473. The Agency used \$3,294 of the child's underpayment to recover the mother's overpayment.
- In another case, the Social Security number on which a child was entitled was input incorrectly by one digit when the claim was initially taken for child-in-care benefits. As a result, T2RD did not detect the case when the child reached age 16 in July 2007. Based on our audit, SSA stopped benefit payments and assessed an overpayment totaling about \$20,000 from July 2007 to December 2008. SSA also used \$1,700 of the child's underpayment to recover some of the mother's overpayment.

In addition, for 8 of the 33 cases, we found that SSA staff processed claims and initiated benefit payments for beneficiaries even though the child in their care was over age 16. Therefore, these beneficiaries were not due any of the benefits paid to them. These eight beneficiaries incorrectly received about \$69,000 in child-in-care benefits.

For example, one child reached age 16 in July 2007. The child's mother applied for child-in-care benefits in August 2007 and SSA processed the claim—even though the child was over age 16 (and not disabled). Based on our audit, SSA stopped the child-in-care benefits and determined the beneficiary was never due any benefits. This beneficiary was overpaid about \$27,000 from August 2007 to December 2008.

Beneficiaries Not Performing Personal Services for Physically Disabled Child

SSA's T2RD system does not have any automated controls to detect cases in which beneficiaries are no longer providing personal services for their physically disabled child. SSA relies on beneficiaries to notify the Agency when they are no longer providing personal services. Therefore, 8 beneficiaries in our sample of 50 Title II beneficiaries with a physically disabled child were not detected by T2RD and incorrectly paid about \$170,000 in child-in-care benefits.

For example, one beneficiary receiving child-in-care benefits had a different address than her 38-year-old physically disabled child and, therefore, did not appear to be providing personal services. Based on our referral, SSA determined the beneficiary had not been providing personal services to her physically disabled child since April 1997. This beneficiary was overpaid about \$54,000 from April 1997 to February 2009.

CONCLUSION AND RECOMMENDATIONS

We found that some beneficiaries who received child-in-care benefits were not entitled to the benefits paid to them. Although the Agency identified some of the incorrect payments before our audit, we estimated about \$3.0 million went undetected. In addition, we estimate SSA will continue to incorrectly pay about \$1.8 million over the next 12 months to beneficiaries no longer entitled to child-in-care benefits if the Agency does not take action. Therefore, we recommend that SSA:

1. Review the remaining cases in our two populations in which it appears the Title II beneficiaries do not have an eligible child in their care.
2. Remind employees of the proper procedures to follow when processing child-in-care benefit payments.

AGENCY COMMENTS

SSA agreed with both recommendations. (See Appendix C.)



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope, Methodology and Sample Results

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
T2RD	Title II Redesign
U.S.C.	United States Code

Scope, Methodology and Sample Results

To accomplish our objective, we

- Reviewed the applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Obtained a file of Title II beneficiaries—with a child in their care age 16 or older—who were receiving benefits as of June 2008. We further narrowed this population by excluding cases in which there was any child on the record who was under age 16. From this file, we identified 2 populations:
 - ✓ 1,065 Title II beneficiaries who had a child in their care who was age 16 or older. We randomly selected 200 cases from this population for detailed analysis.
 - ✓ 234 Title II beneficiaries who had a physically disabled child in their care who was age 16 or older.¹ In addition, the ZIP Codes for these child beneficiaries did not match the corresponding ZIP Code for the Title II beneficiaries. Therefore, it appeared these Title II beneficiaries were not providing personal services for their child beneficiaries since they did not reside at the same address. We randomly selected 50 cases from this population for detailed analysis.

In total, we randomly selected 250 cases from the 2 populations. For all 250 cases, we researched available data on SSA's systems and/or contacted appropriate Agency employees to determine whether the Title II beneficiaries were, in fact, entitled to the child-in-care benefits paid to them.

We conducted our review between October 2008 and June 2009 in Boston, Massachusetts. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our audit objective. The principal entities audited were the Offices of Income Security Programs under the Deputy Commissioner for Retirement and Disability Policy, and Retirement and Survivors Insurance Systems under the Deputy Commissioner for Systems.

¹ We excluded cases in which the child had a mental disability because—according to SSA—decisions regarding cases with mental disabilities are highly judgmental and will depend on the facts on a case-by-case basis. SSA, POMS, RS 01310.035 § B.2.c.

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.

SAMPLE RESULTS

Table B-1: Population and Sample Size			
	Population A	Population B	Total
Population size	1,065	234	1,299
Sample size	200	50	250

Table B-2: Beneficiaries Incorrectly Paid Who Were Not Identified by SSA—Where Overpayments Resulted			
	Population A	Population B	Total
Attribute Projections			
Sample Results	47	8	55
Point Estimate	250	37	287
Projection Lower Limit	204	21	
Projection Upper Limit	302	60	
Dollar Projections			
Sample Results	\$329,334	\$169,769	\$499,103
Point Estimate	\$1,753,704	\$794,519	\$2,548,223
Projection Lower Limit	\$1,229,773	\$273,751	
Projection Upper Limit	\$2,277,634	\$1,315,287	

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

Table B-3: Beneficiaries Incorrectly Paid Who Were Not Identified by SSA—Where Adjustments Were Made²

	Population A	Population B	Total
Attribute Projections			
Sample Results	29	0	29
Point Estimate	154	0	154
Projection Lower Limit	117		
Projection Upper Limit	200		
Dollar Projections			
Amount of Adjusted Benefits	\$84,596	\$0	\$84,596
Point Estimate of Benefits Paid	\$450,474	\$0	\$450,474
Projection Lower Limit	\$314,252		
Projection Upper Limit	\$586,695		

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

In total, we estimate \$3.0 million in benefits were incorrectly paid. This is the point estimate from Tables B-2 and B-3 combined.

Table B-4: Benefits SSA will Continue to Pay to Beneficiaries No Longer Entitled to Child-In-Care Benefits

	Population A	Population B	Total
Attribute Projections			
Sample Results	41	6	47
Point Estimate	218	28	246
Projection Lower Limit	174	14	
Projection Upper Limit	268	49	
Dollar Projections			
Sample Results	\$311,532	\$34,644	\$346,176
Point Estimate	\$1,658,908	\$162,134	\$1,821,042
Projection Lower Limit	\$1,200,229	\$61,736	
Projection Upper Limit	\$2,117,587	\$262,531	

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

² These adjusted benefits are overpayments that are offset against underpayments due other family members.

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: June 12, 2009

Refer To: S1J-3

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

From: James A. Winn /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Benefits Paid to Title II Beneficiaries with a Child-in-Care" (A-01-09-29070)—INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached are our responses to the report findings and recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “BENEFITS PAID TO TITLE II BENEFICIARIES WITH A CHILD-IN-CARE” (A-01-09-29070)

We reviewed the subject report and agree with the findings and recommendations. Below are our responses to the specific recommendations.

Recommendation 1

Review the remaining cases in the two populations in which it appears the Title II beneficiaries do not have an eligible child in their care.

Comment

We agree. By November 20, 2009, we will review the remaining cases from the two populations in which it appears the Title II beneficiaries do not have an eligible child in their care.

Recommendation 2

Remind employees of the proper procedures to follow when processing child-in-care benefit payments.

Comment

We agree. We will issue an Administrative Message by August 1, 2009, reminding employees of the proper procedures to follow when processing child-in-care benefit payments.

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

Judith Oliveira, Director, Boston Audit Division

Acknowledgments

In addition to those named above:

Katie Greenwood, Auditor

Kevin Joyce, IT Specialist

Melinda Padeiro, Senior Auditor

For additional copies of this report, please visit our web site at
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