
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**AGED BENEFICIARIES IN NEED
OF REPRESENTATIVE PAYEES**

April 2010 A-09-09-29002

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:

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

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: April 5, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Aged Beneficiaries in Need of Representative Payees (A-09-09-29002)

OBJECTIVE

Our objectives were to identify potential vulnerabilities of direct payment to aged beneficiaries and determine whether additional safeguards are needed to ensure their funds are properly managed.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted the Social Security Administration (SSA) the authority to appoint representative payees to receive and manage these beneficiaries' benefit payments. A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when representative payment would serve the individual's interests.¹

According to SSA policy, adult beneficiaries² are presumed capable of managing or directing the management of their benefits. However, if SSA employees have information that beneficiaries may have a mental or physical impairment that prevents them from doing so, they must make a capability determination. When SSA determines beneficiaries are incapable, it selects representative payees to manage their benefits.³

¹ The Social Security Act, §§ 205(j) and 1631(a)(2), 42 U.S.C. §§ 405(j) and 1383(a)(2); see also 20 C.F.R. §§ 404, Subpart U and 416, Subpart F.

² We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

³ SSA, Program Operations Manual System (POMS), GN 00502.010 and GN 00502.020.

A representative payee's responsibilities include (1) using the benefits received for the beneficiary's needs and best interests, (2) notifying SSA of any event or change that may affect the beneficiary's eligibility or benefit amount, (3) maintaining accounting records for the receipt and disbursement of benefits, and (4) submitting an annual Form SSA-623, *Representative Payee Report*, to SSA.⁴

According to SSA, over 7 million beneficiaries require representative payees. About 92 percent of these individuals are children or disabled beneficiaries.⁵ Generally, family members or friends are selected to serve as representative payees. When family members and friends are not available, SSA selects a qualified organization to serve as the representative payee.

We initiated this review to examine a concern that SSA may not be aware of aged beneficiaries who need representative payees. Medical statistics⁶ state that up to 50 percent of individuals over age 85 may suffer from Alzheimer's disease or dementia.⁷ As of December 1, 2008, we had identified about 5 million beneficiaries who were over age 85. However, only 231,817 (4.6 percent) had representative payees. Accordingly, we reviewed a sample of these beneficiaries to evaluate their capability and need for representative payment (see Appendix C).

RESULTS OF REVIEW

Based on our sample results, we estimate about 1 million beneficiaries over age 85 may have been incapable of managing or directing the management of their benefits. These beneficiaries generally had individuals or organizations managing their Social Security benefits without SSA's knowledge and approval. This occurred, in part, because (1) SSA did not have a means of identifying aged beneficiaries who became incapable after their initial entitlement to benefits and (2) individuals or organizations who managed the benefits were not always aware of SSA's Representative Payment Program. Based on a random sample of 275 beneficiaries, we estimate

⁴ 20 C.F.R. §§ 404.2035 and 416.635.

⁵ *Annual Statistical Supplement to the Social Security Bulletin*, March 2009, Tables 5.L.1 and 7.E.4.

⁶ The Cleveland Clinic, American Psychological Association, U.S. Census Bureau, and American Medical Association.

⁷ Alzheimer's disease is a progressive and fatal brain disease that destroys brain cells and causes problems with memory, thinking, and behavior severe enough to affect work, lifelong hobbies, or social life. Dementia is the general loss of memory and other intellectual abilities serious enough to interfere with daily life. Alzheimer's disease is a form of dementia.

- Approximately 1,061,220 beneficiaries received about \$1 billion in monthly benefits but were incapable of managing or directing the management of their benefits, and
- Over a 1-year period,⁸ SSA disbursed about \$12.5 billion in benefits to beneficiaries who were incapable of managing their benefits (see Appendix C).

In addition, we found that 34 beneficiaries, receiving \$40,162 in monthly benefits, refused to participate in our review and may have been at-risk.

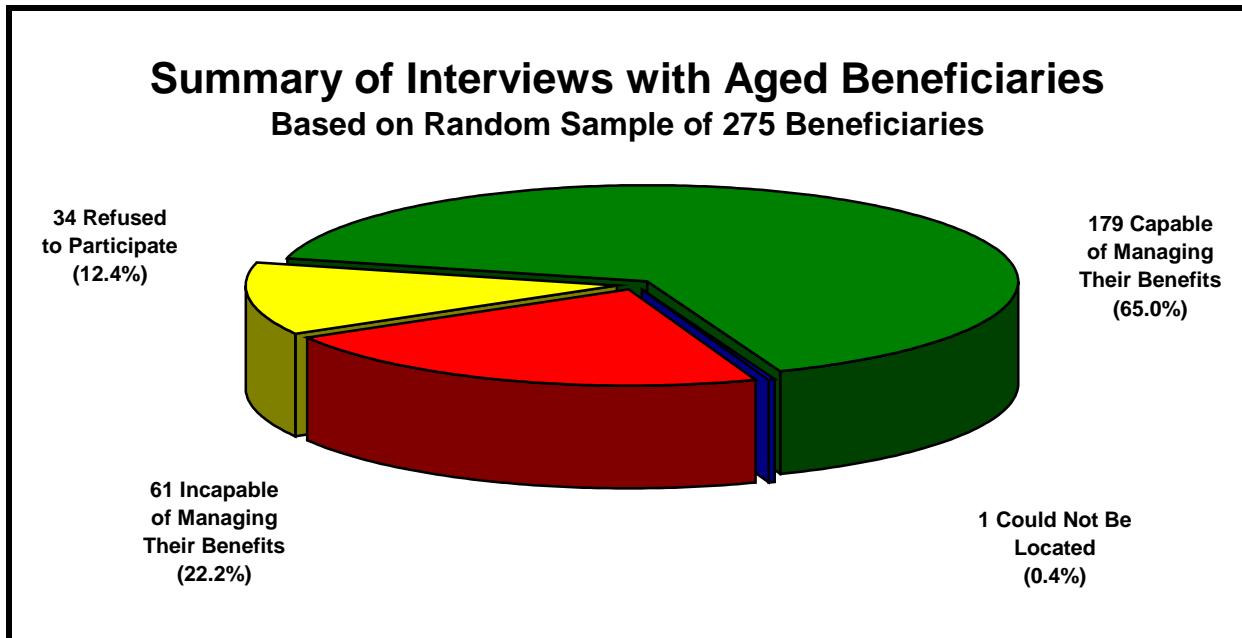
As a result, SSA cannot be assured the individuals or organizations that were managing beneficiaries' funds were suitable and using the benefits received for the beneficiaries' needs and best interests. Finally, with the retirement of the "baby boom" generation⁹ and longer life expectancies, the population of aged beneficiaries is projected to increase significantly. Therefore, the number of beneficiaries who are incapable of managing their benefits and in need of representative payees will increase in the coming years.

PAYMENTS TO BENEFICIARIES OVER AGE 85

Of the 275 beneficiaries in our sample, we found that 61 may have been incapable of managing or directing the management of their benefits. In addition, 34 beneficiaries refused to participate in our review and may have been at-risk, but we were unable to determine whether they were capable of managing or directing the management of their benefits. One SSI recipient could not be located. SSA subsequently suspended payments but did not verify when the recipient left the United States, whether the recipient was still alive, and if any overpayments were due. The remaining 179 beneficiaries appeared capable of managing or directing the management of their benefits at the time of our review. Our sample results are summarized below.

⁸ Annual benefits represent the beneficiaries' most recent monthly payments multiplied by 12 months.

⁹ Generally, "baby boomers" are individuals born between 1946 and 1964. The oldest members of the "baby boomer" generation will attain age 85 in 2031.



Beneficiaries Incapable of Managing Their Benefits

All legally competent, adult beneficiaries are presumed capable of managing or directing someone else to manage their benefits unless there are indicators or evidence to the contrary.¹⁰ If SSA obtains information that beneficiaries may have a mental or physical impairment that prevents them from managing their benefits, it must perform a capability determination to evaluate their ability and, if necessary, assign a representative payee.¹¹

We interviewed 240 of the beneficiaries in our sample (including relatives, friends, social workers, or community groups) to determine whether they were capable of managing their benefit payments. Our review disclosed that 61 beneficiaries, receiving \$59,757 in monthly benefits, were incapable of managing or directing the management of their benefits. Projecting these results to our population, we estimate about 1 million beneficiaries were directly paid \$1 billion in monthly benefits but were incapable of managing their benefits (see Appendix C).

¹⁰ SSA, POMS, GN 00502.010.

¹¹ SSA, POMS, GN 00502.020.

For the 61 beneficiaries, we identified the individuals, organizations, and institutions that managed their funds without SSA's knowledge and approval by assisting with day-to-day living and handling of financial matters, as depicted in the chart.

Party Managing Benefits	Number of Beneficiaries
Spouse	5
Children	40
Other Relatives	9
Agency	1
Institution	4
Friend	2
Total	61

For example, an 86-year-old beneficiary resided with a family member and received \$1,820 in monthly benefits. During our interview, the beneficiary was unable to respond to any of our questions. According to the family member, the beneficiary was in the late stages of Alzheimer's disease and required a 24-hour caregiver. The family member had managed the beneficiary's finances for the past 6 years and was a signatory on all his accounts. The family member was interested in receiving additional help from SSA. Had we not contacted the beneficiary, SSA would have been unaware that he was unable to manage or direct the management of his benefits. We referred this case to SSA for appropriate action.

In selecting a representative payee, SSA evaluates an applicant's qualifications and suitability to serve the beneficiary's interests. Applicants are required to submit a Form SSA-11-BK, *Request to Be Selected as Payee*. SSA generally requires face-to-face interviews with applicants to evaluate their suitability and explain their duties and responsibilities as representative payees.¹² SSA also reviews the applicant's Social Security number; verifies identity and income; reviews criminal history; and evaluates any relationship to the beneficiary, custody arrangements, and past performance if they currently or previously served as a representative payee.¹³

Based on the results of our review, SSA may be unaware of about 1 million "de facto" payees who manage the benefits for aged beneficiaries. Moreover, SSA had not evaluated the qualifications and suitability of these individuals or organizations to determine whether they would serve the beneficiaries' best interests. To reduce the risk of benefit misuse, we encourage SSA to take a proactive role to identify aged beneficiaries who are unable to manage their benefits and may have individuals or organizations who are managing their benefits without SSA's knowledge and approval.

¹² SSA, POMS, GN 00502.107, GN 00502.113, and GN 00502.130.

¹³ SSA, POMS, GN 00502.117 and GN 00502.132.

SSA performs capability determinations only when it obtains information that beneficiaries may have a mental or physical impairment that prevents them from managing their benefits.¹⁴ SSA's procedures do not require that the Agency identify aged beneficiaries in need of representative payees. Instead, SSA generally relies on beneficiaries (or family members and friends) to request assistance from the Agency. According to SSA, about 91.9 percent of the individuals with representative payees are either children or disabled beneficiaries.¹⁵ Therefore, we believe SSA should take additional actions to identify aged adult beneficiaries who may be incapable of managing or directing the management of their benefits.

**Characteristics
of Beneficiaries
over Age 85**

During our interviews, we obtained general information about the beneficiaries' living arrangements, money management, and program awareness. Accordingly, for the beneficiaries who responded to our questions, we found the following.

Characteristic	Capable Beneficiaries	Incapable Beneficiaries
<u>Living Arrangements</u> <ul style="list-style-type: none">▪ Lived Alone▪ Had Guardian, Conservator, or Power of Attorney	51.0% 49.7%	41.5% 80.0%
<u>Money Management</u> <ul style="list-style-type: none">▪ Another Party Paid All Bills▪ Relied on Friends or Relatives to Help Manage Money	17.3% 24.6%	85.3% 87.5%
<u>Program Awareness</u> <ul style="list-style-type: none">▪ Interested in Receiving Help with Managing Benefits▪ Unaware of SSA's Representative Payment Program	3.9% 82.9%	33.3% 94.4%

As noted above, we found both capable and incapable beneficiaries had guardians, conservators, or powers of attorney. In addition, both capable and incapable beneficiaries relied on friends, relatives, or other parties to pay all their bills or help manage their money. While most of these beneficiaries were incapable of managing their benefits, we concluded that the capable beneficiaries were able to direct the management of their benefits. Finally, we found neither capable nor incapable beneficiaries were generally aware of SSA's Representative Payment Program.

¹⁴ SSA, POMS, GN 00502.020.

¹⁵ *Annual Statistical Supplement to the Social Security Bulletin*, March 2009, Tables 5.L.1 and 7.E.4.

Beneficiaries Refused to Participate and May Be At-Risk

We found that 34 beneficiaries, receiving \$40,162 in monthly benefits, refused to participate in our review and may have been at-risk. During our review, we contacted the beneficiaries by mail and telephone to arrange for an interview. We also requested assistance from SSA's field offices to contact or interview the beneficiaries as needed. However, we were unable to verify the identities of 34 beneficiaries and determine whether they had moved, were still alive, were capable of managing or directing the management of their benefits, or had an individual or organization who managed their benefits.

For example, we attempted to contact a beneficiary who resided at a shared living community and received \$497 in monthly benefits. The individual who handled the beneficiary's Social Security benefits refused our request for an interview. The individual stated she dealt with SSA on all matters for the beneficiary but was not a representative payee. However, according to SSA's Representative Payee System, the shared living community had served as a representative payee for 13 beneficiaries until May 2007. Since we were unable to talk with the beneficiary, we could not verify whether she was alive or capable of managing her benefits.

We referred these beneficiaries to SSA for appropriate action. As of March 2010, SSA had reviewed 15 of the 34 beneficiaries. Of these, SSA stated it had selected a representative payee for 1 beneficiary and determined that 14 beneficiaries were capable of managing their benefits.

SSI Recipient Could Not Be Located

We could not locate one SSI recipient, receiving \$449 in monthly payments, during our review.¹⁶ We referred this case to SSA for appropriate action. According to SSA's records, the recipient became eligible for SSI payments in May 2001. Although SSA was unable to contact the recipient, it contacted a family member and learned the recipient had moved and subsequently left the country. SSA also learned the recipient's checks, totaling \$20,752, had not been cashed for the past 4 years. As a result, SSA suspended payments to the recipient and requested the return of the uncashed checks. However, SSA did not verify when the recipient left the United States, whether the recipient was still alive, or if any overpayments occurred.

¹⁶ In May 2009, we referred 17 beneficiaries whose whereabouts were unknown to SSA for appropriate action. SSA subsequently located 16 of these beneficiaries. However, as of August 2009, one SSI recipient could not be located.

SSI recipients are required to report to SSA any changes in address or absences from the United States for 30 or more consecutive days.¹⁷ These changes may affect the recipient's SSI eligibility or payment amount. If a recipient's whereabouts are unknown, SSA must attempt to locate the recipient and document its actions. If these efforts are unsuccessful, SSA sends a notice to the recipient's mailing address and suspends benefit payments.¹⁸

IDENTIFICATION OF INCAPABLE BENEFICIARIES

As part of our review, we identified the following options for SSA's consideration to better identify aged beneficiaries in need of representative payees.

SSA Data – Use current SSA data to identify aged beneficiaries who may need representative payees. For example, in a recent audit,¹⁹ we identified Social Security payments that were sent directly to nursing homes for beneficiaries who required a representative payee. SSA could also consider a match of representative payee address information to the addresses where beneficiaries' payments are sent.

Mailings – Send periodic mailings or an enclosure to the annual Cost-of-Living Adjustment notices to aged beneficiaries and their families to inform them of SSA's Representative Payment Program.

Outreach – Perform educational outreach with the medical community, nursing homes, and retirement communities to inform them of SSA's Representative Payment Program. For example, in 2009, SSA performed educational outreach for its Representative Payment Program with caregivers in Baton Rouge, Louisiana. A public affairs specialist provided a number of 1-hour presentations, *A Caregiver's Guide to Accessing Social Security Services*, to a nonprofit organization that provides family support and education for Alzheimer's patients, their families, and caregivers.

Centenarian Projects – Conduct Centenarian or similar projects for beneficiaries over certain ages. Through face-to-face contacts, SSA could verify whether beneficiaries are alive and if they may need representative payees. For example, in 2008, SSA's San Francisco Region conducted a Centenarian Project in Los Angeles, California. The Project required face-to-face contacts with all beneficiaries in current or suspended pay status who were age 103 or older. The Project disclosed that 17 percent of the contacts required a representative payee or change in payee. The Project also identified two cases where fraudulent actions had resulted in \$150,000 in overpayments. As a result, the San Francisco Region recently expanded the Project Region-wide for all beneficiaries over age 100.

¹⁷ 20 C.F.R. § 416.708.

¹⁸ SSA, POMS, SI 02301.240 and GN 02602.320.

¹⁹ SSA, OIG, *Beneficiary and Recipient Use of "In Care of" Addresses* (A-06-08-18015), August 2008.

We recognize these options may present challenges or obstacles for the Agency. We also recognize that budget or workload constraints may affect the potential benefits of any initiative. Nevertheless, we encourage SSA to evaluate the feasibility of these options or other possible options to better identify aged beneficiaries in need of representative payees.

PROJECTED GROWTH IN THE NUMBER OF AGED BENEFICIARIES

According to the U.S. Census Bureau, the population of individuals age 85 and older is projected to increase in the 21st century, growing slowly in the first few decades and more rapidly after 2030, when the “baby boomers” enter this age group. In 2000, about 4.2 million people were age 85 and older, and that number is projected to increase to about 10 million by 2030 and 21 million by 2050.²⁰ As a result, the number of beneficiaries will also increase, along with the number of beneficiaries who may be incapable of managing their benefits and in need of representative payees.

In addition, a recent study disclosed that Alzheimer's disease afflicts about 2.7 million Americans who are age 85 and older, and that number is projected to increase to about 3.5 million in the next 22 years. The study also disclosed about 1.3 million residents in nursing homes suffer from moderate to severe cognitive impairments. Because Alzheimer's disease and dementia usually progress slowly, the study reported about 32 percent of family members and unpaid caregivers provide assistance for over 5 years while 39 percent provide assistance from 1 to 4 years.²¹

Finally, given the projected growth of the aged beneficiary population, SSA will need to devote significantly more resources to its Representative Payment Program. As such, SSA may want to reevaluate the intent of the Program with respect to the management of benefits within a family, such as one spouse assisting another spouse who is incapable. If SSA were to seek a legislative change to only select and monitor representative payees who are not immediate family members living in the same household, the number of representative payees who need to be assessed and monitored would significantly decrease. This would allow SSA to devote its limited resources to monitoring organizational and non-family individual representative payees.

²⁰ U.S. Census Bureau, Current Population Reports, Special Studies, *65+ in the United States: 2005*, P23-209, December 2005.

²¹ *2009 Alzheimer's Disease Facts and Figures*, Alzheimer's Association.

CONCLUSION AND RECOMMENDATIONS

We estimate that approximately 1 million aged beneficiaries who received about \$1 billion in monthly benefits may have been incapable of managing or directing the management of their benefits. Over a 1-year period, we estimate that SSA disbursed about \$12.5 billion in benefits to beneficiaries who may have been incapable of managing their benefits (see Appendix C). In addition, we found that 34 beneficiaries, receiving \$40,162 in monthly benefits, refused to participate in our review and may have been at-risk.

We also determined that SSA cannot be assured the individuals or organizations who are managing these beneficiaries' funds are suitable and using the benefits received for the beneficiaries' needs and best interests. This occurred, in part, because SSA did not identify aged beneficiaries who became incapable after their initial entitlement to benefits. In addition, individuals or organizations who managed the benefits were not always aware of SSA's Representative Payment Program. Finally, with the retirement of the "baby boom" generation and longer life expectancies, the number of aged beneficiaries who will be incapable of managing their benefits and in need of representative payees will increase in the coming years.

We recommend SSA:

1. Take appropriate action (for example, perform a capability determination and select a representative payee, if needed) for the 61 incapable beneficiaries identified by our audit.
2. Contact the 34 beneficiaries who refused to participate in our review and determine whether they are capable of managing their benefits.
3. Follow up on the one SSI recipient who could not be located to verify when the recipient left the United States, whether the recipient is still alive, and if any overpayments were made.
4. Establish additional controls to better identify aged beneficiaries in need of representative payees.
5. Evaluate the need for additional representative payee policy for selecting and monitoring family members who manage incapable beneficiaries' funds.

AGENCY COMMENTS

SSA agreed with four of our five recommendations. SSA did not agree with Recommendation 4 because it would require a significant increase in the number of capability determinations, and it could not justify the investment of resources. SSA also stated that targeting aged beneficiaries for capability reviews could be perceived as discriminatory and interfering with their rights. Finally, SSA stated that we may have overestimated the number of incapable beneficiaries. After our audit, SSA reported that it contacted 32 of the beneficiaries and found 4 (12 percent) were capable of managing their benefits.

The Agency's comments are included in Appendix D.

OIG RESPONSE

Although SSA disagreed with Recommendation 4, it plans to contact all beneficiaries aged 103 and older beginning in May 2010. During this review, SSA employees will conduct face-to-face interviews with approximately 14,000 beneficiaries. As such, SSA will identify beneficiaries who need representative payees. In addition, SSA's review of some of our sample cases of beneficiaries over age 85 has already shown that a need for representative payment exists. Since SSA already plans to review beneficiaries aged 103 and older, it also needs to develop cost-effective ways to identify the remaining population of incapable beneficiaries. In our report, we noted several potential options to address this concern. These included using existing SSA data to identify payments that are sent directly to nursing homes or known organizational representative payees. Finally, our recommendation was not designed to target aged beneficiaries over age 85 but to ensure payments to these beneficiaries—who will increase to about 21 million by 2050—are used for their intended purpose.

We believe our estimate of the number of aged beneficiaries who may be incapable of managing their benefits is valid. We found that 61 (22 percent) of the 275 beneficiaries in our sample were incapable. Our estimates were based on the beneficiaries' conditions at the time of our review. SSA subsequently found that 4 beneficiaries (12 percent of those SSA has reviewed to date) were capable because their conditions had improved. However, it is unrealistic to expect no changes in the beneficiaries' conditions over a period of time. If the same 12-percent change were applied to the 179 beneficiaries who were capable at the time of our review, an additional 21 beneficiaries may need representative payees because their ability to manage benefits has deteriorated since we interviewed them.



Patrick P. O'Carroll, Jr.

Appendices

[**APPENDIX A**](#) – Acronyms

[**APPENDIX B**](#) – Scope and Methodology

[**APPENDIX C**](#) – Sampling Methodology and Results

[**APPENDIX D**](#) – Agency Comments

[**APPENDIX E**](#) – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

C.F.R.	Code of Federal Regulations
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

Scope and Methodology

Using the Social Security Administration's (SSA) Master Beneficiary (MBR) and Supplemental Security Records (SSR), we obtained a data extract of 5,018,933 beneficiaries who were age 85 or older as of December 1, 2008. Of these beneficiaries, 4,747,324 received Old-Age, Survivors and Disability Insurance (OASDI) benefits, 138,551 received Supplemental Security Income (SSI) payments, and 133,058 received both OASDI and SSI payments concurrently. From this file, we identified 4,787,116 beneficiaries who were receiving benefits and did not have a representative payee.

For our review, we limited our population to 2,353,819 beneficiaries who resided (1) within 200 miles of an Office of Audit location¹ or (2) in Los Angeles County or the State of Florida. We selected a random sample of 275 beneficiaries for review.

To accomplish our objective, we

- reviewed applicable Federal laws and regulations, SSA's Program Operations Manual System, and other policy memorandums;
- obtained queries from SSA's MBR, SSR, and Numident;
- reviewed medical studies related to Alzheimer's disease and dementia from the Cleveland Clinic, American Psychological Association, U.S. Census Bureau, and American Medical Association;
- interviewed the beneficiaries in our sample to determine their ability to manage or direct the management of their benefits;
- reviewed LexisNexis and public databases (such as www.zabasearch.com and www.whitepages.com) to obtain current address information for selected beneficiaries; and
- coordinated with SSA's field offices to contact or interview the beneficiaries as necessary.

¹ The Office of Audit is headquartered in Baltimore, Maryland, and maintains 10 field offices nationwide in Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Falls Church, Virginia; Dallas, Texas; Kansas City, Missouri; and Richmond, California.

Of the 275 beneficiaries in our sample, we referred 17 who could not be located to SSA for appropriate action. In addition, SSA performed capability determinations for 20 beneficiaries and concluded that 15 were capable of managing their benefits, and 5 were incapable and required a representative payee. During our review, 16 beneficiaries died, and 1 was assigned a representative payee before our interviews were conducted. We randomly selected additional beneficiaries to replace these individuals in our sample.

We determined the computer-processed data from the MBR and SSR 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 performed audit work in Baltimore, Maryland; Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Falls Church, Virginia; Dallas, Texas; Kansas City, Missouri; and Richmond, California, between December 2008 and July 2009. The entities reviewed were SSA's field offices under 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C

Sampling Methodology and Results

Based on data extracts from the Social Security Administration's (SSA) Master Beneficiary and Supplemental Security Records, we identified a population of 4,787,116 beneficiaries who were over age 85, receiving benefits, and did not have a representative payee as of December 1, 2008. Of this amount, 2,353,819 beneficiaries resided (1) within 200 miles of an Office of Audit location¹ or (2) in Los Angeles County or the State of Florida.

We randomly selected 275 beneficiaries to identify potential vulnerabilities of direct payment to aged beneficiaries and determine whether additional safeguards were needed to ensure their funds are properly managed. Specifically, we evaluated their capability and need for representative payment.

We found that 61 beneficiaries, receiving \$59,757 in monthly benefits, were incapable of managing or directing the management of their benefits. Projecting these results to our population, we estimate that 522,120 beneficiaries received about \$511 million in monthly benefits but were incapable of managing their benefits.

For purposes of this audit, we considered the characteristics and findings observed for the beneficiaries in our sample to be representative of the beneficiaries over age 85 in the United States. Therefore, we estimate that 1,061,220 beneficiaries in the United States received about \$1 billion in monthly benefits but were incapable of managing their benefits.

Over a 1-year period,² we estimate that SSA disbursed about \$12.5 billion in benefits to beneficiaries who were incapable of managing their benefits. The following tables provide the details of our sample results, statistical projections, and estimates.

Table 1 – Population and Sample Size

Description	Number of Beneficiaries
Population Size	2,353,819
Sample Size	275

¹ The Office of Audit is headquartered in Baltimore, Maryland, and maintains 10 field offices nationwide in Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Falls Church, Virginia; Dallas, Texas; Kansas City, Missouri; and Richmond, California.

² Annual benefits represent the beneficiaries' most recent monthly payments multiplied by 12 months.

Table 2 – Beneficiaries Incapable of Managing Their Benefits

Description	Number of Beneficiaries	Monthly Benefits
Sample Results	61	\$59,757
Point Estimate	522,120	\$511,476,566
Projection - Lower Limit	426,470	\$407,633,682
Projection - Upper Limit	628,462	\$615,319,450
Monthly Estimate for Population ³	1,061,220	\$1,039,586,516
Annual Estimate for Population		\$12,475,038,192

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

³ Our audit population of 2,353,819 beneficiaries who resided within 200 miles of an Office of Audit location or in Los Angeles County or the State of Florida represents about 49.2 percent of the total population of 4,787,116 beneficiaries in the United States. As a result, the estimate for the population is based on the point estimate divided by 0.492.

Appendix D

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: March 18, 2010 Refer To: S1J-3

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

From: James A. Winn /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Aged Beneficiaries in Need of Representative Payees" (A-09-09-29002)--INFORMATION

Thank you for the opportunity to review and comment on the draft report. We have a fundamental concern with this type of review. We do not believe it is an effective use of OIG or agency resources to conduct work and make recommendations that are beyond the scope or control of the agency.

Attached is our response to the report findings and specific recommendations.

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

Attachment:
SSA Response

**COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT,
“AGED BENEFICIARIES IN NEED OF REPRESENTATIVE PAYEES” (A-09-09-29002)**

We reviewed the audit report on aged beneficiaries in need of representative payees and believe the numbers of incapable beneficiaries and payments “at risk” are over-estimated. OIG selected a sample of 275 from a population of 4.78 million Social Security and Supplemental Security Income (SSI) beneficiaries over the age of 85 who did not have payees. OIG found 61 beneficiaries whom they believed were incapable, and from that finding, concluded that over 1 million aged beneficiaries were likely to be in need of a payee. We have not completed our review of these 61 beneficiaries, but our initial findings indicate that the audit report overestimates the funds at risk.

In addition, you noted that many elderly beneficiaries are not familiar with the representative payee program and suggest that we should reach out to them to inform them of the program. We have a number of ways in which we inform the public about our representative payee program. First, at our field offices, we have a pamphlet, "When a Representative Payee Manages Your Money," which is written specifically to educate beneficiaries about our payee program. It tells them what a payee does, what to do if they are unhappy with their payee, etc. Second, there is information available to the public on our website, <http://www.ssa.gov/payee>, which not only contains the pamphlet mentioned above, but also has a wealth of information about the representative payee program as well as links to guides for organizational payees and to online accounting.

Recommendation 1

Take appropriate action (for example, perform a capability determination and select a representative payee, if needed) for the 61 incapable beneficiaries identified by the audit.

Comment

We agree. We reviewed 32 of the 61 cases and will review the remaining 29 cases by April 2010. We selected representative payees for 18 beneficiaries whom we found to be incapable. Four were capable, and eight had died. We could not find two beneficiaries and suspended their benefits. Based on the cases we have reviewed so far, 12 percent of the beneficiaries were capable of managing or of directing the management of their benefits. Therefore, the OIG estimate of \$59,707 in monthly benefits paid to the 61 beneficiaries, categorized by OIG as “Funds Put to Better Use,” is overstated by 12 percent or more. When this estimate is projected out to the entire potential population, OIG estimates \$1,039,526,758 as “Funds Put to Better Use.” Given that at least 12 percent of the beneficiaries in OIG’s review were capable of managing their benefits, this estimate could be off by \$124 million or more.

Recommendation 2

Contact the 34 beneficiaries who refused to participate in the review and determine whether they are capable of managing their benefits.

Comment

We agree. We reviewed 15 of the 34 cases and selected a representative payee in only one case. We will review the remaining 19 cases by April 2010. So far, we determined that 14 beneficiaries, 93.3 percent of the cases reviewed, were capable of managing their benefits.

Recommendation 3

Follow up on the one SSI recipient who could not be located to verify when the recipient left the United States, whether the recipient is still alive, and if any overpayments were made.

Comment

We agree. We recently learned that the recipient left the country about three years ago. Prior to obtaining that information, we had already suspended her payments and recovered some of the payments. We are working to recover the rest of the overpayment.

Recommendation 4

Establish additional controls to better identify aged beneficiaries in need of representative payees.

Comment

We disagree. This would require a significant increase in the number of capability investigations undertaken in the field, and we cannot justify this investment of resources. All legally competent beneficiaries are presumed capable, unless there is evidence to the contrary. Under the Act, we are the sole arbiter of their capability for managing benefits. When capability is in doubt, we review legal, medical, and lay evidence to make a determination. Beneficiaries who might otherwise be found incapable may be found capable if they have the support of friends, relatives, or community organizations. We are concerned that the findings in the report may reflect a different standard than we use in capability determinations. Specifically, it may have mischaracterized some of the relationships discovered between beneficiaries and concerned third parties as "de facto" payees. We do not make capability determinations based on age or type of illness. Targeting aged beneficiaries for capability reviews could be perceived as discriminatory and interfering with their rights.

Recommendation 5

Evaluate the need for additional representative payee policy for selecting and monitoring family members who manage incapable beneficiaries' funds.

Comment

We already have conducted a review of our policy on family members who serve as representative payee. We concluded that parental and spousal payees with custody of the beneficiary are extremely low risk for the misuse of benefits and should not be subjected to our usual annual reporting procedures. As a result, we submitted a legislative proposal to this effect to Congress on December 2, 2009.

[SSA also provided technical comments which have been addressed, where appropriate, in the report.]

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Acknowledgments

In addition to those named above:

Wilfred P.K. Wong, Senior Auditor

Atlanta Audit Division

Boston Audit Division

Chicago Audit Division

Dallas Audit Division

Evaluation Division

Financial Audit Division

Kansas City Audit Division

New York Audit Division

Philadelphia Audit Division

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