

Office of the Inspector General

Kenneth S. Apfel  
Commissioner of Social Security

Inspector General

Supplemental Security Income Plans for Achieving Self-Support Prepared by  
For-Profit Organizations

The attached final management advisory report presents the results of our review of Supplemental Security Income plans for achieving self-support prepared by for-profit organizations (A-07-96-61016). The objectives of our review were to obtain information on the fees charged by for-profit organizations and the scope of their services.

You may wish to comment on any further action taken or contemplated on our conclusions. If you choose to offer comments, please provide your comments within the next 60 days. If you wish to discuss the final report, please call me or have your staff contact Pamela J. Gardiner, Assistant Inspector General for Audit, at (410) 965-9700.

David C. Williams

Attachment

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96-61016.TL:Report File

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Supplemental Security Income Plans for Achieving Self-Support Prepared by For-Profit Organizations

### OBJECTIVE

This management advisory report entitled, "Supplemental Security Income Plans for Achieving Self-Support Prepared by For-Profit Organizations" (A-07-96-61016), provides the results of our review of for-profit organizations that prepare Plans for Achieving Self-Support (PASS). Our objectives were to obtain information on the fees charged by these organizations and the scope of their services.

### BACKGROUND

The Social Security Disability Insurance (DI) program was established in 1954 under title II of the Social Security Act. It was designed to provide benefits to disabled wage earners and their families in the event the family wage earner became disabled. In 1974, the Supplemental Security Income (SSI) program was established, expanding disability coverage to include individuals with limited income and resources.

The PASS program was established as part of the SSI program to assist disability recipients with returning to work and eventually reducing or eliminating SSI and DI benefits. A PASS is a written plan, designed specifically for a disabled individual, which identifies a work goal and the items and services needed to achieve that goal. To purchase these items and services, the individual can use any additional income and resources, including wages, DI benefit payments, savings, and any other unearned income and resources. Normally, additional income or resources would make the individual ineligible for SSI payments or reduce the payment amount. However, the Social Security Administration (SSA) disregards additional income and resources when determining the individual's SSI eligibility when there is an approved PASS.

In the past, PASSes were usually prepared by SSA field office (FO) staff and nonprofit disability advocacy groups representing disabled individuals. More

recently, for-profit organizations have begun to prepare PASSes. These organizations claim to be advocacy groups representing disabled individuals and have initiated outreach efforts. From March 1990 to December 1995, PASSes increased approximately 600 percent from 1,546 to 10,322. The PASS preparation fee paid to for-profit organizations is excluded from countable income in determining SSI eligibility so, in effect, SSA is paying the fee.

In April 1996, SSA implemented changes to the PASS program to improve quality and consistency in processing the plans. SSA issued revised Program Operations Manual System (POMS) instructions and developed a standardized PASS application form to include detailed documentation of all costs. The instructions for PASS preparation fees and reasonableness of PASS preparation fees are based on such factors as the preparer's involvement and number of hours servicing the claimant (SI E00870.025C.4d. and 4e.).

Another change was the establishment of a cadre of SSA employees nationwide to be responsible for all PASS decisions. The cadre received intensive training related to disabilities and vocational education. As of November 1996, there were 39 cadre staff located at 16 SSA offices who were responsible for all PASS decisions. Although we had no data on the numbers of PASSes processed, we noted that from December 1995 to December 1996 the number of approved PASSes declined from 10,322 to 4,704.

We reviewed 124 PASSes prepared by 17 for-profit preparers and approved by SSA FOs in Colorado. On-site reviews were conducted at FOs located in Denver, Lakewood, and Greeley from April 1, 1995 through March 31, 1996 (before the PASS cadre was in place). We chose those offices because of the large number of PASSes they had received from for-profit preparers. We interviewed SSA officials, including 20 members of the PASS cadre. We also interviewed 2 for-profit PASS preparers, 2 vocational rehabilitation counselors and 20 PASS participants. The preparers were selected because they had prepared the largest number of PASSes approved by the three FOs which we visited.

## RESULTS OF REVIEW

The for-profit preparers included in our review received reimbursement for the amount of the PASS preparation fee charged as long as the PASS was approved. The fees for the 124 PASSes totaled \$52,656 and ranged from \$50 to \$832. The fees were for both initial PASSes and extensions of existing plans. According to interviews with FO staff responsible for approving PASSes, they were not provided training in the PASS program or trained to determine the reasonableness of fees. Furthermore, SSA failed to establish a limit on the PASS preparation fee that could

be excluded from countable income in determining an individual's SSI eligibility. As a result, for-profit preparers could charge whatever fee they desired without providing detailed support for the services provided.

### **Interviews with PASS Preparers and Participants**

We interviewed 2 for-profit third-party preparers who developed 67 of the 124 PASSes. We also interviewed 20 PASS participants whose PASSes were prepared by these two preparers.

One third-party preparer developed 56 of the 124 PASSes. This preparer possessed a Masters Degree in Psychology, 15 years of rehabilitation-related experience, and 7 years of PASS preparation experience. When asked how the preparer determined whether an individual was a good PASS candidate, the preparer stated that a vocational analysis was performed on all individuals before completing a PASS.

This preparer charged a flat fee for developing PASSes: \$500 for a PASS and \$250 for a PASS extension. The fees charged were strictly for PASS preparation and did not include any other PASS services, such as monitoring or follow-up with the PASS participant. When asked how the fees were derived, the preparer stated that the fee was based on the average Government employee's annual salary of \$35,000. The representative stated that he charged \$500 per approved PASS and tried to average 100 approved PASSes annually. According to the preparer, this amount, after taxes, would equal the average Government employee's annual salary. According to POMS (SI E00870.025C.4d.), PASS preparation fees based on a flat rate are not allowable.

Based on this preparer's method of deriving preparation fees, we believe he may have been maximizing profits by charging fees that were not supported by the time or work involved in preparing the PASS as required by POMS (as cited above). At the time of our interview, the preparer stated that he was no longer preparing PASSes due to changes in SSA's approval process since establishment of the PASS cadre.

The interview results for PASS participants who used this preparer were generally inconclusive. However, we noted that 8 of 10 interviewees stated that the preparer did not provide any monitoring, coaching, or training. Furthermore, only 5 of 10 interviewees thought that they could meet their occupational objective in the specified time frame and become independent of SSA assistance. Our subsequent review of the status of these 10 participants indicated that 3 were successful, i.e., their SSA benefits were either reduced or eliminated as a direct

result of being a PASS participant. The remaining seven PASS participants were not successful. Appendix A contains the results of our interviews.

The other third-party preparer we interviewed developed 11 of the 124 PASSes. This preparer possessed a Bachelor's Degree in Rehabilitation, 15 years of rehabilitation-related experience, and 6 years of PASS preparation experience. This preparer at one time was a PASS participant whose occupational objective was to become a PASS preparer. When asked how the preparer determined whether or not an individual was a good PASS candidate, the preparer stated that he could make such a determination by interviewing the individual for 5 minutes.

The fees charged by this preparer ranged from \$588 to \$832. According to the preparer, the fees he charged included not only PASS preparation, but additional services, referred to as monitoring. Based on this preparer's high fees in relation to other for-profit preparers and his admission of the short interview time used, we believe the fees were excessive.

The interview results for PASS participants who used this preparer were generally inconclusive. However, we noted that 8 of 10 interviewees stated that the preparer did not provide any monitoring, coaching, or training. In addition, only 2 of 10 interviewees thought that they could meet their occupational objective in the specified time frame and become independent of SSA assistance.

Furthermore, we noted that 6 of 10 interviewees stated that the fee charged was inappropriate for the service provided. Our subsequent review of the status of these

10 participants indicated that 2 were successful, i.e., their SSA benefits were either reduced or eliminated as a direct result of being a PASS participant. The remaining eight PASS participants were not successful. Appendix B to this report contains the results of our interviews.

### **Interviews With Vocational Rehabilitation Counselors**

We interviewed two counselors from the Colorado Department of Vocational Rehabilitation (VR). One counselor had a Masters Degree in Counseling, 20 years of VR experience, and 3 years of PASS preparation experience. The other counselor had a Masters Degree in Rehabilitation, 20 years of VR experience, and 8 years of PASS preparation experience.

Both counselors believed that the PASS program was beneficial to disabled individuals who were capable of achieving an occupational objective. However, the counselors stated that they worked with an individual for an extended period of time and performed extensive vocational testing to determine whether an

individual was capable of achieving an occupational objective. Only after it was determined that an individual could achieve an occupational objective was a PASS initiated. The VR counselors also monitored PASS participants for the duration of the PASS because they believed monitoring was essential to ensure the success of PASS participants.

The primary differences between the VR counselors and the for-profit preparers were not their qualifications or experience, but rather their involvement with an individual prior to initiating a PASS. The VR counselors stated that they worked extensively with an individual before initiating a PASS, whereas one for-profit preparer stated that the determination as to whether an individual was a good PASS candidate could be done through a 5-minute interview.

### **Interviews with SSA Cadre Members**

We interviewed 20 of the 39 SSA cadre members responsible for PASS decisions. The cadre members stated that PASS preparation fees were being reviewed for reasonableness and PASS preparers were required to provide detailed documentation of fees charged. The consensus of the cadre members was that PASS preparation should be limited to 10 hours at a reasonable fee range of \$20 to \$35 per hour. Our review did not include PASS decisions made by the cadre; therefore, we did not substantiate the comments received from the cadre.

### **CONCLUSIONS**

Many changes have occurred in the PASS program since we conducted our audit fieldwork. The PASSes we reviewed were approved by SSA FO staff possessing little or no experience or training in the PASS program. In contrast, PASSes are currently approved by a cadre of SSA employees intensively trained in the PASS program, including vocational evaluation.

Nonetheless, the evidence indicated that there is a need for improved controls over the amount of acceptable preparers' PASS fees and guidelines for the scope of services to be provided. The interviews suggested the need for better up-front vocational assessments and follow-up monitoring, coaching and training to increase the likelihood of these individuals being able to achieve their occupational objectives.

SSA's Fiscal Year 1998 legislative agenda (Appendix C) includes a proposal that would authorize limits on amounts that could be excluded as PASS preparation

fees. We agree that limits on PASS preparation fees should be established in order to prevent the possibility of for-profit preparers charging excessive fees. Failure to establish such limits leaves the PASS program vulnerable to abuse.

### **SSA COMMENTS**

SSA generally agreed with our conclusions, commenting that improvements have been made to the PASS program since we began our review. PASSEs are now approved by a cadre of SSA employees, trained in the PASS program and vocational evaluation. A standardized PASS application has been developed and Program Operations Manual System instructions have been revised. SSA believes that these improvements reduce opportunities for misuse of the program.

Regarding a legislative proposal to authorize limits on PASS preparation fees, preliminary results indicate the cadre is now more consistently controlling the amount of fees authorized. SSA believes that the training provided to the cadre will help them to focus on the reasonableness, appropriateness, and allowability of PASS preparation costs. SSA will continue to monitor cadre performance in this area and will consider legislation, if deemed necessary. The full text of SSA's comments is included in Appendix D.

David C. Williams

# **APPENDICES**

## APPENDIX A

<b>INTERVIEWS WITH PASS<sup>1</sup> PARTICIPANTS "PREPARER ONE"</b>		
<b>QUESTIONS ASKED BY THE OIG<sup>2</sup></b>	<b>INTERVIEW RESULTS</b>	
	<b>YES</b>	<b>NO</b>
Are you currently participating in the PASS program?	4	6
Do you understand the PASS program and your responsibilities?	10	0
Were you aware of the PASS program prior to meeting the third-party preparer?	9	1
Did the third-party preparer explain the PASS program to you?	10	0
Did your third-party preparer follow up on your progress?	8	2
Did the third-party preparer provide you with monitoring, coaching, or training?	2	8
Were you aware that SSA <sup>3</sup> will help prepare your PASS at no charge?	1	9
Were you satisfied with the third-party preparer services?	9	1
Did the third-party preparer charge a flat fee?	10	0
Did you feel the fee charged was appropriate for the service provided?	7	3
Were you required to pay the fee after PASS approval?	10	0
Do you think you will be able to meet your occupational objective in the specified time frame and successfully be removed from the SSA roles?	5	5
Are you currently working toward your occupational objective?	6	4
Did you chose your PASS occupational objective?	10	0
Do you think third-party preparers should be paid if SSA will do the PASS at no charge?	10	0
Would you have pursued a PASS if it had not included Medicaid coverage?	10	0

<sup>1</sup> Plans for Achieving Self-Support

<sup>2</sup> Office of the Inspector General

<sup>3</sup> The Social Security Administration

**APPENDIX B**

<b>INTERVIEWS WITH PASS PARTICIPANTS</b> "PREPARER TWO"		
<b>QUESTIONS ASKED BY THE OIG</b>	<b>INTERVIEW RESULTS</b>	
	<b>YES</b>	<b>NO</b>
Are you currently participating in the PASS program?	3	7
Do you understand the PASS program and your responsibilities?	10	0
Were you aware of the PASS program prior to meeting the third-party preparer?	4	6
Did the third-party preparer explain the PASS program to you?	10	0
Did your third-party preparer follow up on your progress?	10	0
Did the third-party preparer provide you with monitoring, coaching, or training?	2	8
Were you aware that SSA will help prepare your PASS at no charge?	0	10
Were you satisfied with the third-party preparer services?	9	1
Did the third-party preparer charge a flat fee?	10	0
Did you feel the fee charged was appropriate for the service provided?	4	6
Were you required to pay the fee after PASS approval?	10	0
Do you think you will be able to meet your occupational objective in the specified time frame and successfully be removed from the SSA roles?	2	8
Are you currently working toward your occupational objective?	6	4
Did you chose your PASS occupational objective?	10	0
Do you think third-party preparers should be paid if SSA will do the PASS at no charge?	10	0
Would you have pursued a PASS if it had not included Medicaid coverage?	10	0

**APPENDIX E**

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## **MAJOR REPORT CONTRIBUTORS**

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Office of the Inspector General

William Fernandez, Audit Director

Fredric Uehling, Deputy Director

Mark Bailey, Senior Auditor

Ronald Bussell, Auditor