

Audit Report

Payments to Terminated or Non-
selected Representative Payees

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: February 18, 2015 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Payments to Terminated or Non-selected Representative Payees (A-09-13-23071)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration had adequate controls to ensure it did not make payments to representative payees it terminated or did not select.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

Payments to Terminated or Non-selected Representative Payees

A-09-13-23071



February 2015

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it did not make payments to representative payees it terminated or did not select.

Background

Some individuals cannot manage or direct the management of their benefits because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage beneficiaries' payments. SSA selects representative payees for Title II and XVI beneficiaries when representative payments would serve the individual's interest.

SSA's Representative Payee System (RPS) is a nation-wide database of pending, selected, non-selected, and terminated representative payees. SSA uses RPS to take and process representative applications. When SSA selects a representative payee in RPS, it should automatically update the Master Beneficiary (MBR) and Supplemental Security Records (SSR) with information about the representative payee. If the representative payee information in RPS does not agree with the MBR/SSR, RPS produces an alert to resolve the discrepancy.

Findings

SSA needs to improve its controls to ensure it does not make payments to representative payees it terminated or did not select. Based on our random sample, we estimated that SSA paid terminated or non-selected representative payees approximately \$367 million in benefits payable to 13,539 beneficiaries. We also estimated that SSA improperly (1) terminated in RPS representative payees who were serving 14,809 beneficiaries and (2) did not select in RPS representative payees who were serving 29,194 beneficiaries.

This occurred because SSA did not (1) remove terminated or non-selected representative payees from the MBR/SSR or (2) correct representative payees' status in RPS from terminated or non-selected to selected. We also found that RPS did not always generate alerts when representative payee information in RPS did not agree with representative payee information on the MBR/SSR.

Recommendations

We recommend that SSA:

1. Take appropriate action for the payments made to the terminated or non-selected representative payees for the 31 beneficiaries identified by our audit.
2. Take appropriate actions for the improperly terminated and non-selected representative payees in RPS for the 104 beneficiaries identified by our audit.
3. Evaluate the results of its corrective action for the beneficiaries identified by our audit and determine the appropriate action it should take with the remaining population of beneficiaries who have active representative payees on the MBR/SSR that are terminated or not selected in RPS.
4. Improve controls to ensure it generates alerts whenever there is a discrepancy between representative payee information in RPS and the MBR/SSR.

SSA agreed with our recommendations.

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ABBREVIATIONS

MBR	Master Beneficiary Record
MSOM	Modernized Systems Operations Manual
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it did not make payments to representative payees that it terminated or did not select.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the *Social Security Act*.¹ This program provides monthly benefits to retired and disabled workers, including their dependents and survivors. SSA also administers the Supplemental Security Income (SSI) program under Title XVI of the *Social Security Act*.² This program provides payments to financially needy individuals who are aged, blind, and/or disabled.

Some individuals cannot manage or direct the management of their benefits because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage beneficiaries' payments. SSA selects representative payees for Title II and XVI beneficiaries³ when representative payments would serve the individual's interest.⁴

SSA's Representative Payee System (RPS) is a nation-wide database of representative payee information about pending, selected, non-selected, and terminated representative payees. SSA employees use information in RPS about representative payees to assist them in making good representative payee determinations.⁵ SSA employees also use RPS to take and process representative payee applications.⁶ When SSA selects a representative payee in RPS, it should automatically update the Master Beneficiary (MBR) and Supplemental Security Records (SSR) with information about the representative payee. If the representative payee information in RPS does not agree with the information on the MBR/SSR, RPS produces an alert to resolve the discrepancy.⁷ However, RPS only generates alerts when representative payee information on the MBR/SSR has changed and does not agree with the information in RPS. In addition, SSA

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

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

³ We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

⁴ *Social Security Act*, §§ 205(j)(1)(A) and 1631(a)(2)(A)(ii), 42 U.S.C. §§ 405(j)(1)(A) and 1383(a)(2)(A)(ii).

⁵ SSA, POMS, GN 00502.120 (November 21, 2005).

⁶ SSA, POMS, GN 00502.107 (October 4, 2010).

⁷ SSA, MSOM, RPS 009.005 (September 12, 2007).

conducts an annual clean-up operation of RPS to move pending representative payee applications to a selected or a not selected status, as appropriate.⁸

Finally, SSA matches prisoner and fugitive felon information to RPS to identify incarcerated representative payees or payees who have unsatisfied felony warrants. For any matches, SSA generates an alert for employees to determine whether they should replace the incarcerated or fugitive felon representative payee. However, these matches do not include representative payees that are terminated or not selected.⁹

For our review, we identified 84,621 Title II and XVI beneficiaries in current pay status with an active representative payee on the MBR/SSR that, according to RPS, SSA had terminated or not selected. From this population, we selected a random sample of 200 beneficiaries for review (see Appendix B).

RESULTS OF REVIEW

SSA needs to improve its controls to ensure it does not make payments to representative payees it terminated or did not select. Based on our random sample, we estimated that SSA paid terminated or non-selected representative payees approximately \$367 million in benefits payable to 13,539 beneficiaries. We also estimated that SSA improperly (1) terminated in RPS representative payees who were serving 14,809 beneficiaries and (2) did not select in RPS representative payees who were serving 29,194 beneficiaries.

Generally, this occurred because SSA did not (1) remove terminated or non-selected representative payees from the MBR/SSR or (2) correct representative payees' status in RPS from terminated or non-selected to selected. We also found that RPS did not always generate alerts when representative payee information in RPS did not agree with representative payee information on the MBR/SSR.

We are 90-percent confident the payments to terminated or non-selected representative payees ranged from \$216 to \$518 million, and the number of beneficiaries ranged from 10,063 to 17,671. We are also 90-percent confident that SSA improperly (1) terminated in RPS representative payees who were actively serving from 11,187 to 19,055 beneficiaries and (2) did not select in RPS representative payees who were actively serving from 24,480 to 34,203 beneficiaries (see Appendix B).

⁸ SSA, Instruction MSS13-035 RPS (May 16, 2013).

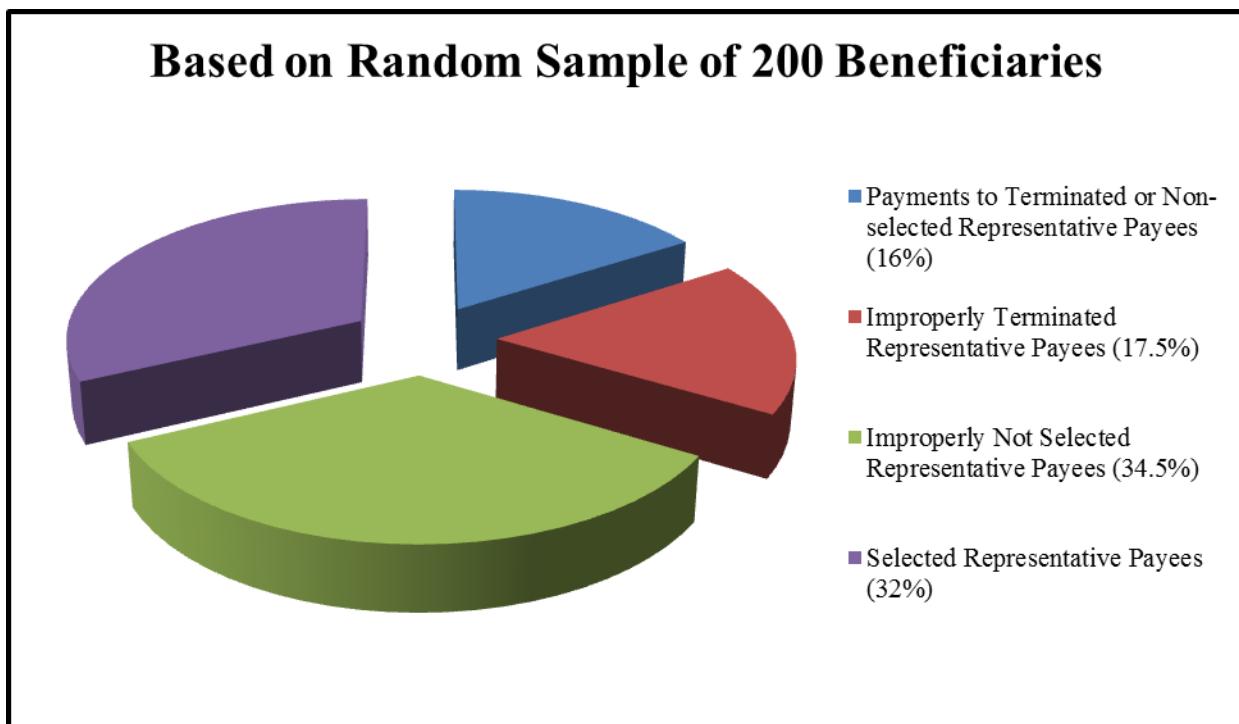
⁹ SSA, POMS, GN 00504.102 (February 16, 2010) and GN 00504.103 (March 31, 2005).

For the 200 beneficiaries in our sample, SSA

- paid terminated or non-selected representative payees benefits payable to 32 (16 percent),
- did not correct RPS to select representative payees who were improperly terminated for 35 (17.5 percent),
- did not correct RPS to select representative payees who were improperly not selected for 69 (34.5 percent), and
- corrected RPS to select representative payees for 64 (32 percent).

Figure 1 summarizes the results of our review.

Figure 1: Payments to Terminated or Non-selected Representative Payees



Payments to Terminated or Non-selected Representative Payees

SSA will consider a new representative payee if a current payee dies, is incarcerated, no longer wishes to serve as a representative payee, or is no longer a suitable representative payee.¹⁰ Before selecting a new representative payee, SSA must obtain an application from the new representative payee.¹¹ When SSA selects a new representative payee, it should automatically

¹⁰ SSA, POMS, GN 00504.100 (March 29, 2006).

¹¹ SSA, POMS, GN 00502.107 (October 4, 2010).

terminate the current representative payee on the MBR/SSR and update it with the new representative payee's information.

SSA employees terminated or did not select representative payees in RPS for 32¹² beneficiaries; however, they did not remove these representative payees from the MBR/SSR. As a result, SSA continued making payments to these representative payees. These payments totaled approximately \$867,000 payable to the 32 beneficiaries for an average of 44 months.¹³ In addition, since SSA employees had not changed the representative payee information on the MBR/SSR, RPS did not alert these cases for corrective actions. Finally, we found no evidence of SSA employees' attempts to resolve the discrepancies in SSA's electronic records.

SSA terminated or did not select the representative payees for the following reasons:

- 12 were terminated because SSA identified a more suitable payee,
- 7 were terminated because the beneficiaries were capable of managing their benefits,
- 4 were not selected for unknown reasons,
- 3 were incarcerated or had committed a felony,
- 1 had committed misuse, and
- 5 were terminated for miscellaneous reasons.

For example, in June 2011, SSA terminated a representative payee in RPS because she had misused benefits. However, SSA did not remove the representative payee from the MBR and therefore continued making payments to the representative payee. As of November 2014, SSA had not selected a new representative payee and had paid \$26,328 to the terminated representative from June 2011 through November 2014.

Representative Payees Improperly Terminated in RPS

When SSA terminates a beneficiary's entitlement, it stops their payments and terminates any existing representative payee's status in RPS. If a beneficiary subsequently becomes re-entitled to benefits, individuals must submit a new application to serve as a representative payee.¹⁴ However, when SSA incorrectly terminates benefits, a new representative payee application is not required.¹⁵ In these instances, SSA employees should contact the current representative

¹² Because of our audit, SSA took corrective action for 1 of the 32 beneficiaries.

¹³ The mean was 44 months and the median was 25.5 months.

¹⁴ SSA, POMS, GN 00504.180 (December 6, 2011).

¹⁵ SSA, POMS GN 00504.160 (September 14, 2011).

payee, reinstate the beneficiary's payments, and change the representative payee's status in RPS from terminated to selected.¹⁶

SSA improperly terminated 35 beneficiaries and subsequently reinstated their benefits; however, it did not correct the representative payees' status in RPS from terminated to selected. In addition, since SSA employees had not changed the representative payee information on the MBR/SSR, RPS did not alert these cases for corrective actions. We also found no evidence of SSA employees' attempts to resolve the discrepancies in SSA's electronic records. Finally, since these representative payees were improperly terminated in RPS, they were not included in the prisoner and fugitive felon matches thereby reducing the effectiveness of SSA's efforts to identify unsuitable representative payees.

Representative Payees Improperly Not Selected in RPS

When SSA employees determine beneficiaries are incapable of managing or directing the management of their benefits, they process a representative payee application in RPS and must update the MBR/SSR with the representative payee's information. Representative payee applicants must inform SSA why they should serve as a representative payee, about their relationship to the beneficiary, and whether they have a criminal history.¹⁷ SSA employees must interview potential representative payees and review their applications.¹⁸ Representative payee applications will remain pending in RPS until an SSA employee reviews all the available evidence and either selects or does not select the applicant as the representative payee.¹⁹ Finally, SSA conducts an annual systems clean-up operation of RPS to move pending representative payee applications to a selected or a not selected status, as appropriate.²⁰

SSA did not select representative payees in RPS for 69 beneficiaries that it should have selected. SSA employees had determined these beneficiaries needed representative payees when they applied for, and were initially entitled to, benefits. SSA employees also obtained representative payee applications in RPS for all 69 beneficiaries and determined these representative payees should have been selected; however, they did not correct RPS to select them, as required. Subsequently, SSA's annual systems clean-up operation changed all 69 beneficiaries' status in RPS to not selected. According to SSA's Office of Systems, the clean-up operation changed the representative payees to a non-selected status because employees recorded an incorrect beneficiary identification code in RPS for these beneficiaries. We also found no evidence of SSA employees' attempts to resolve these cases in SSA's electronic records. Finally, since these representative payees were not selected in RPS, they were not included in the prisoner and

¹⁶ Id.

¹⁷ SSA, POMS, GN 00502.115 (October 28, 2014) & GN 00502.107 (October 4, 2010).

¹⁸ SSA, POMS GN 00502.113 (July 15, 2014).

¹⁹ SSA, POMS, GN 00502.113 (July 15, 2014).

²⁰ SSA, Instruction MSS13-035 RPS (May 16, 2013).

fugitive felon matches thereby reducing the effectiveness of SSA's efforts to identify unsuitable representative payees.

CONCLUSIONS

SSA needs to improve its controls to ensure it does not make payments to representative payees it terminated or did not select. Based on our random sample, we estimated that SSA paid terminated or non-selected representative payees approximately \$367 million in benefits payable to 13,539 beneficiaries. In addition, we estimated that SSA improperly (1) terminated in RPS representative payees who were actively serving 14,809 beneficiaries and (2) did not select in RPS representative payees who were actively serving 29,194 beneficiaries (see Appendix B).

Generally, this occurred because SSA did not (1) remove terminated or non-selected representative payees from the MBR/SSR or (2) correct representative payees' status in RPS from terminated or non-selected to selected. We also found that RPS did not always generate alerts when representative payee information in RPS did not agree with representative payee information on the MBR/SSR.

RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action for the payments made to the terminated or non-selected representative payees for the 31 beneficiaries identified by our audit.
2. Take appropriate actions for the improperly terminated and non-selected representative payees in RPS for the 104 beneficiaries identified by our audit.
3. Evaluate the results of its corrective action for the beneficiaries identified by our audit and determine the appropriate action it should take with the remaining population of beneficiaries who have active representative payees on the MBR/SSR that are terminated or not selected in RPS.
4. Improve controls to generate alerts whenever there is a discrepancy between representative payee information in RPS and the MBR/SSR.

AGENCY COMMENTS

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

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

We obtained from the Social Security Administration's (SSA) Master Beneficiary (MBR) and Supplemental Security Records (SSR) and Representative Payee System (RPS), a data extract of Title II and XVI beneficiaries in current pay with an active representative payee on the MBR/SSR who, according to RPS, SSA had terminated or not selected. Using this information, we identified a population of 84,621 Title II and XVI beneficiaries in current pay as of March 2013.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, United States Code, and SSA's Program Operations Manual System;
- interviewed SSA employees from the Offices of Operations and Systems;
- reviewed a random sample of 200 beneficiaries who had a non-selected or terminated representative payee in RPS;
- reviewed queries from SSA's MBR, SSR, RPS, Payment History Update System, Online Retrieval System, and Numident; and
- determined the amount of payments made to the non-selected or terminated representative payees as of October 2014.

We determined whether the computer-processed data from the MBR, SSR, and RPS were sufficiently reliable for our intended use. 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 conducted audit work in Richmond, California, and Baltimore, Maryland, between February and November 2014. The entities audited were the Offices of Operations and Systems under the Offices of the Deputy Commissioners for Operations and Systems.

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 (MBR) and Supplemental Security Records (SSR) and Representative Payee System (RPS), we obtained a data extract of 84,621 Title II and XVI beneficiaries in current pay with an active representative payee on the MBR/SSR who, according to RPS, SSA had terminated or not selected. From this population, we selected a random sample of 200 beneficiaries for review. The following tables provide the details of our sample results and statistical projections.

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	84,621
Sample Size	200

Payments to Terminated and Non-selected Representative Payees

Of the 200 beneficiaries in our sample, SSA paid terminated or non-selected representative payees \$867,477 in benefits payable to 32 beneficiaries. Projecting our sample results to the population of 84,621 beneficiaries, we estimate that SSA improperly paid terminated or non-selected representative payees approximately \$367 million in benefits payable to 13,539 beneficiaries.

Table B–2: Payments to Terminated or Non-selected Representative Payees

Description	Beneficiaries	Payments
Sample Results	32	\$867,477
Point Estimate	13,539	\$367,033,970
Projection – Lower Limit	10,063	\$215,771,134
Projection – Upper Limit	17,671	\$518,296,807

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

Representative Payees Improperly Terminated in RPS

Of the 200 beneficiaries in our sample, SSA improperly terminated in RPS, representative payees who were serving 35 beneficiaries. Projecting our sample results to the population of 84,621 beneficiaries, we estimate that SSA improperly terminated in RPS, representative payees who were actively serving 14,809 beneficiaries.

Table B–3: Representative Payees Improperly Terminated in RPS

Description	Beneficiaries
Sample Results	35
Point Estimate	14,809
Projection – Lower Limit	11,187
Projection – Upper Limit	19,055

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

Representative Payees Improperly Not Selected in RPS

Of the 200 beneficiaries in our sample, SSA improperly did not select in RPS, representative payees who were actively serving 69 beneficiaries. Projecting our sample results to the population of 84,621 beneficiaries, we estimate that SSA did not select in RPS, representative payees who were actively serving 29,194 beneficiaries.

Table B–4: Representative Payees Improperly Not Selected in RPS

Description	Beneficiaries
Sample Results	69
Point Estimate	29,194
Projection – Lower Limit	24,480
Projection – Upper Limit	34,203

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: February 10, 2015 **Refer To:** S1J-3

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

From: Frank Cristaudo /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, “Payments to Non-selected or Terminated Representative Payees” (A-09-13-23071) - INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “PAYMENTS TO TERMINATED OR NON-SELECTED REPRESENTATIVE PAYEES” (A-09-13-23071)

General Comment

The agency is committed to maintaining accurate records of the status of each representative payee. We previously identified the limitations of the current Representative Payee System (RPS) that OIG noted in this report, and initiated action to correct these limitations.

Recommendation 1

Take appropriate action for the payments made to the terminated or non-selected representative payees for the 31 beneficiaries identified by our audit.

Response

We agree. We will complete the necessary actions on the 31 cases by no later than the end of April 2015.

Recommendation 2

Take appropriate actions for the improperly terminated and non-selected representative payees in the RPS for the 104 beneficiaries identified by our audit.

Response

We agree. We will complete the necessary actions on the 104 cases by no later than the end of July 2015.

Recommendation 3

Evaluate the results of its corrective actions for the beneficiaries identified by our audit and determine the appropriate action it should take with the remaining population of beneficiaries who have active representative payees on the Master Beneficiary Record (MBR) and Supplemental Security Record (SSR) that are terminated or not selected in RPS.

Response

We agree. By the end of fiscal year 2015, we will evaluate the results of our actions on the 135 cases from recommendations 1 and 2. The purpose of our evaluation is to determine whether additional action is required for the remaining population of beneficiaries who have active representative payees on the MBR/SSR that are terminated or not selected in RPS.

Recommendation 4

Improve controls to ensure it generates alerts whenever there is a discrepancy between representative payee information in RPS and the MBR/SSR.

Response

We agree. Currently we are in the process of completing a rewrite of RPS. In Phase I, we are focusing on transferring the RPS database from an Intergrated Database Management System to a Database 2 platform to allow us to communicate more effectively with the payment systems. In addition, we plan to convert the screens from a Customer Information Control System mainframe to a Web-based process.

We are aware that when a representative payee for a beneficiary is terminated in RPS and not updated in the payment system, no one is notified that further action is needed. We have included in Phase I, the development of an alert that will trigger when those types of situations occur to remind the user that action is still required. When a new representative payee is processed to the record, the alert will close automatically, with no further action needed from the user.

We anticipate the completion of Phase I by the end of September 2015. Once we have completed Phase I, we will begin assessing additional ways to communicate among the systems, which was not feasible in the past because of the different database platforms.

Appendix D– MAJOR CONTRIBUTORS

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

Andrew Hanks, Senior Program Analyst

Wilfred Wong, Audit Data Specialist

MISSION

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