
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE EFFECTIVENESS OF POLICIES
AND PROCEDURES USED
TO IDENTIFY INCARCERATED
REPRESENTATIVE PAYEES**

September 2004

A-02-04-14031

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: September 16, 2004 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: The Effectiveness of Policies and Procedures Used to Identify Incarcerated Representative Payees (A-02-04-14031)

OBJECTIVE

The objective of our review was to determine the effectiveness of policies and procedures used to identify incarcerated representative payees.

BACKGROUND

The Social Security Administration (SSA) has policies and procedures in place that address the suitability of incarcerated representative payees. The Program Operations Manual System (POMS) states that an individual who is currently incarcerated is most likely not in a position to serve, or continue to serve, as a representative payee.¹ Additionally, in March 2004, President Bush signed the Social Security Protection Act of 2004,² which when implemented, will authorize SSA to disqualify an individual from serving as a representative payee if he or she has been convicted of an offense resulting in more than 1 year of imprisonment. This provision will become effective on April 1, 2005.

In an effort to identify representative payees who are incarcerated, the Representative Payee System (RPS) generates computer alerts when the Prisoner Update Processing System (PUPS) data is matched with RPS. When such an alert is received, POMS instructs staff to check PUPS, RPS, the Master Beneficiary Record and the Supplemental Security Record to verify prisoner information and whether the individual is serving as a representative payee. Further, POMS requires staff to review and determine the suitability of the representative payee and document a decision on the Relationship Special Text (RLST) screen in RPS.³

¹ SSA, POMS, GN 00502.133.

² Pub. L. No. 108-203, § 103.

³ SSA, POMS, GN 00502.133.

SSA conducted nine periodic matches of the PUPS and the RPS from July 1999 to February 2003. The PUPS contains information on incarcerated individuals including the dates of incarceration, conviction, and release. The data matches allowed SSA to identify representative payees that were incarcerated at the time of the match. Field offices were asked to investigate each case and take appropriate action. Effective January 31, 2003, prisoner information received and verified by SSA was compared to the RPS on a daily basis.

RESULTS OF REVIEW

We found that SSA personnel were not effectively implementing policies and procedures established to identify incarcerated representative payees. Based on our review of a sample of 200 representative payees identified in the PUPS system as being incarcerated, we estimated that there were approximately 8,809 representative payees who were incarcerated as of December 2003. We estimated that these representative payees were responsible for managing at least \$52.2 million on behalf of the beneficiaries they represented while they were incarcerated. Further, if these incarcerated individuals continued serving as representative payees, we projected that they would manage at least \$37.1 million of Supplemental Security Income and Old Age, Survivors, and Disability Insurance payments during calendar year 2004.

INCARCERATED REPRESENTATIVE PAYEES

From a statistical sample of 200 cases, we identified 27 incarcerated individuals who served as representative payees for 36 beneficiaries other than themselves for 1 to 78 complete calendar months, for an average of 18.1 months. (See table below.)

Number of Representative Payees (Total Number = 27)	Number of Months Individuals Served as Representative Payees While Incarcerated
6	1 to 6
4	7 to 12
6	13 to 18
7	19 to 24
2	25 to 30
2	over 30*

*One incarcerated individual served as representative payee for 43 months, while the other served for 78 months.

These representative payees were responsible for managing \$262,927 of SSA funds while incarcerated. In all 27 cases, we could not identify evidence that SSA conducted reviews to determine the suitability of the incarcerated representative payee. There

was no evidence of completed suitability reviews in the RPS RLST screen as required by POMS.⁴ Additionally, there was no evidence that PUPS alerts had been cleared on the development worksheets in RPS.

In addition to the 27 cases, we found 5 other instances of incarcerated representative payees with no evidence of suitability reviews on the RPS RLST screens. However, there was evidence on the development worksheets in RPS that SSA completed suitability reviews for these cases in response to computer generated alerts. Further, we identified an additional 2 cases of incarcerated individuals serving as representative payees at some point in the past. These cases were not current as of December 2003, either because the incarcerated individual was no longer the representative payee, or the beneficiary was no longer receiving benefits. There was no evidence of completed suitability reviews within the RPS system for these cases.

As of July 8, 2004, 20 of the 27 individuals we identified as being incarcerated representative payees still had a record in PUPS indicating incarceration and continued to be listed as a representative payee in RPS. Suitability reviews for the 20 cases were not performed and documented in accordance with the POMS.

RELEASE DATES IN PUPS

The sample of cases we reviewed only included representative payees who had corresponding records in PUPS with blank “release date” fields, indicating that the representative payees were not released from incarceration. However, we found evidence outside of PUPS for 60 of the 200 cases reviewed that suggested the representative payees had been released, but that SSA staff had not entered the release date into PUPS. Evidence that suggested a release from incarceration included information showing that they began to receive Supplemental Security Income payments or became representative payees after the date of incarceration recorded in PUPS.

The effective implementation of section 103 of the Social Security Protection Act of 2004, which will authorize SSA to disqualify an individual from serving as a representative payee if he or she has been convicted of an offense resulting in more than 1 year of imprisonment, will depend in part on SSA having accurate and complete information on the release dates of individuals applying to become or serving as representative payees. This information will help SSA to determine the length of time individuals were incarcerated. We estimated that about 19,576 of our population of 65,252 cases did not have complete information within the release date field in PUPS.

⁴ Id.

CONCLUSION AND RECOMMENDATIONS

SSA funds released to incarcerated representative payees are at risk. Accordingly, the Agency has established policies and procedures to identify incarcerated individuals and to determine and document their suitability as representative payees. We found that SSA personnel were not effectively implementing the policies and procedures.

Accordingly, we recommend that SSA:

- 1.** Ensure staff comply with existing policies to identify all representative payees that have been incarcerated.
- 2.** Complete and document suitability reviews in accordance with the POMS when it determines a representative payee has been incarcerated.
- 3.** Take measures to ensure that the PUPS “release date” information is complete.

AGENCY COMMENTS

The Agency agreed with all of our recommendations. SSA's comments are included as Appendix D.



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

MBR	Master Beneficiary Record
MRPF	Master Representative Payee File
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Pub. L. No	Public Law Number
PUPS	Prisoner Update Processing System
RLST	Relationship Special Text
RPS	Representative Payee System
SSA	Social Security Administration
SSR	Supplemental Security Record

Scope and Methodology

We took the following steps to meet our objective:

- Performed a data match of the Social Security Administration's Master Representative Payee File (MRPF) of December 2003 and Prisoner Update Processing System (PUPS) of the same date. We found 109,467 records of individuals listed in both systems. We extracted records with a blank PUPS "release date" to limit our population to 65,252 potential currently incarcerated representative payees, as of December 2003.
- Selected a random sample of 200 cases from the population of 65,252 cases.
- Obtained queries from the Prisoner Update Processing System (PUPS), Master Beneficiary Record (MBR), Supplemental Security Record (SSR), and Representative Payee System (RPS) for our 200 sample cases.
- Verified blank release date in PUPS and reviewed text messages for indication of release.
- Reviewed incarcerated individual's MBR and SSR records for indication of release.
- Determined in RPS incarcerated individual's status as payee, dates of representation, and number and identity of beneficiaries.
- Determined in RPS evidence of suitability review results entered into RLST screen.
- Confirmed payee identity and dates as payee in the beneficiaries' MBR and SSR records.
- For cases meeting our criteria, calculated actual payments made to beneficiary during period of representation by incarcerated payee, using Payment History Update System and Supplemental Security Income records.
- For cases meeting our criteria, reviewed in RPS, available development worksheets for evidence of a PUPS alert having been worked by field office staff.
- For cases meeting our criteria, determined amount of funds for which payee was responsible for December 2003.

- Queried the PUPS and RPS for current release dates, payee status, and documentation of suitability reviews having been performed as of July 8, 2004.
- Queried in RPS, available development worksheets for evidence of a PUPS alert having been worked by field office staff, as of July 8, 2004.

We did not assess the suitability of the incarcerated representative payees identified during our audit or conduct reviews of their activities as representative payees to determine whether they misused Social Security benefits.

We did not specifically test to determine if computer alerts identifying the possibility of an incarcerated individual serving as representative payee were generated and not worked by SSA staff or simply not generated. We did find evidence in five cases that alerts were generated and worked. We also found some evidence of alerts generated for three cases that were not worked by staff.

We determined the computer processed data from MBR, SSR, RPS, MRPF, and PUPS to be 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. As discussed in the body of this report, we found that the "release date" field in the PUPS was incomplete. We were able to rely on data from other SSA systems to provide us with an indication of whether an incarcerated representative payee was released.

We conducted our field work in the New York Office of Audit between March and April 2004. The entities audited were the Office of Disability and Supplemental Security Income Systems under the Deputy Commissioner for Systems and SSA's field offices under the Deputy Commissioner for Operations. Our audit was performed in accordance with generally accepted government auditing standards.

Sampling Methodology and Results

To complete our objective, we performed a data match of the Social Security Administration's Master Representative Payee File of December 2003 and Prisoner Update Processing System (PUPS) of the same date. We found 109,467 records of individuals listed in both systems. We extracted records with a blank PUPS "release date" to limit our population to 65,252 potentially incarcerated representative payees, as of December 2003. We selected a random sample of 200 cases to review.

We found 27 cases of incarcerated individuals serving as representative payees as of December 2003. These representative payees were responsible for managing \$262,927 of SSA funds while incarcerated. We estimated our results for the population and the results of our estimation are detailed in the table on the next page.

Sample Results, Projections and Estimates

Population size	65,252
Sample size	200
Sampled cases where incarcerated individuals served as representative payee to others	27
Projection of cases (Point Estimate)	8,809
Projection lower limit	6,335
Projection upper limit	11,827
Amount of funds for which 27 representative payees were responsible for 36 beneficiaries	\$262,927
Projection of payment amount for which currently incarcerated representative payees have been responsible. (Point Estimate)	\$85,782,475
Projection lower limit	\$52,216,659
Projection upper limit	\$119,348,291
Number of cases for which an indication of release was evident, although the release date field in PUPS was blank	60
Projection of cases for which release date field is not updated (Point Estimate)	19,576
Projection lower limit	16,103
Projection upper limit	23,341
Amount of funds for which 27 representative payees were responsible for 36 beneficiaries in December 2003	\$14,417
Projection of funds for which incarcerated representative payees were responsible in December 2003 (Point Estimate)	\$4,703,527
Projection lower limit	\$3,092,919
Projection upper limit	\$6,314,136
12 month estimate of funds for which incarcerated representative payees will be responsible based on projected lower limit for December 2003	\$37,115,028

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

Appendix D

Agency Comments



SOCIAL SECURITY

MEMORANDUM

34077-24-1227

Date: August 20, 2004 **Refer To:** S1J-3

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

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "The Effectiveness of Policies and Procedures Used to Identify Incarcerated Representative Payees" (A-02-04-14031)--INFORMATION

We appreciate the OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let us know if we can be of further assistance. Questions can be referred to Candace Skurnik, Director of the Audit Management and Liaison Staff, at extension 54636. Staff questions can be referred to Trudy Williams at extension 50380.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “THE EFFECTIVENESS OF POLICIES AND PROCEDURES USED TO IDENTIFY INCARCERATED REPRESENTATIVE PAYEES” (A-02-04-14031)

Thank you for the opportunity to comment on the subject draft report. Our response to the specific recommendations is provided below.

Recommendation 1

Social Security Administration (SSA) should ensure that SSA staff complies with existing policies to identify all representative payees (Rep Payees) that have been incarcerated.

Comment

We agree and will work to develop a reminder to be issued to field office (FO) staff. The reminder will provide complete instructions on how to handle incarcerated Rep Payees. We expect to issue the reminder by September 30, 2004. Additionally, we will review our existing Program Operations Manual System (POMS) instructions to determine if improvements can be made.

Recommendation 2

SSA should complete and document suitability reviews in accordance with the POMS when it determines a Rep Payee has been incarcerated.

Comment

We agree. See response to recommendation 1 above.

Recommendation 3

SSA should take measures to ensure that the Prisoner Update Processing System (PUPS) “release date” information is complete.

Comment

We agree. The POMS procedures in GN 02607.860 and SI 02310.093 provide specific instructions for the technician to post release dates before they reinstate benefits to beneficiaries or recipients. We will cite these procedures in the reminder mentioned above. Also, on July 30, 2004, we updated POMS GN00502.133 to instruct technicians to update PUPS for Rep Payees when appropriate.

[SSA also provided technical comments which have been addressed in this report, as needed.]

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

Tim Nee, Director, New York Office of Audit, (212) 264-5295

Acknowledgments

In addition to those named above:

Denise Molloy, Program Analyst-in-Charge

Abraham Pierre, Auditor

Christine Hauss, Program Analyst

Christine Chen, Auditor

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-02-04-14031.

DISTRIBUTION SCHEDULE

Commissioner of Social Security
Office of Management and Budget, Income Maintenance Branch
Chairman and Ranking Member, Committee on Ways and Means
Chief of Staff, Committee on Ways and Means
Chairman and Ranking Minority Member, Subcommittee on Social Security
Majority and Minority Staff Director, Subcommittee on Social Security
Chairman and Ranking Minority Member, Subcommittee on Human Resources
Chairman and Ranking Minority Member, Committee on Budget, House of Representatives
Chairman and Ranking Minority Member, Committee on Government Reform and Oversight
Chairman and Ranking Minority Member, Committee on Governmental Affairs
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.