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.
Our objective was to determine whether the Social Security Administration's (SSA) procedures ensured that beneficiaries who were incapable of managing or directing the management of their finances were paid through representative payees.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these individuals' Social Security benefit payments. A representative payee is a person, agency, organization, or institution selected to receive and manage benefits on behalf of a beneficiary. Representative payees are responsible for using Social Security benefits to serve the beneficiaries' best interests. Their duties include (1) using benefits for the use and benefit of the beneficiary; and (2) reporting events to SSA that may affect the amount of benefits the beneficiary receives or the right of the beneficiary to receive benefits.

The disability determination, including giving an opinion regarding capability to manage benefits, is made by Disability Determination Services' (DDS) medical examiners. At the end of each review, the DDS office prepares a Disability Determination and Transmittal form (SSA – 831) that includes the decision as to whether the individual is

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1 Social Security Act §§ 205(j) and 1631(a)(2); 42 United States Code §§ 405(j) and 1383(a)(2).

disabled and the DDS’ opinion regarding capability. SSA Field Offices (FO) must determine capability if there is a suspicion that the beneficiary has a mental or physical condition that prevents him/her from managing or directing someone else to manage his or her benefits. The capability determination is based on an evaluation of medical, legal and lay evidence (including contact with the beneficiary and information from individuals familiar with the beneficiary). Based on the evidence obtained, SSA must determine whether the beneficiary’s best interests would be served by representative payment or direct payment.

SSA requires that all capability decisions (whether they find representative payment or direct payment appropriate) be documented. The DDS opinion is evidence of capability; however, it is not a definitive determination on capability. The FO is responsible for developing, evaluating and deciding all representative payee matters. FO claims representatives are responsible, among other things, for (1) deciding capability and (2) appointing a representative payee. As of January 2003, about 7.6 million individuals had representative payees.

If the beneficiary’s claim is not updated with the representative payee information (by SSA’s Representative Payee System or directly by FO staff), then benefits will be paid directly to the beneficiary. The Representative Payee System information may not

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3 DDS’ opinion as to whether an individual is capable of managing his or her own benefits is documented in the capability development flag field. This field can be coded: “N” – Capable, “Y” – Incapable, or “U” – Capability is Unresolved. This field notifies the SSA Field Office if the ability to manage benefits is an issue on a claim that has been allowed.

4 Program Operations Manual System (POMS) sections GN 00502.060 B.1 and GN 00502.020 A.1. According to POMS section GN 00502.005, the following individuals are prohibited from receiving payments directly: (a) individuals declared legally incompetent under State law and (b) children under age 15. However, if the child is emancipated under State law, SSA policy indicates that an assumption should be made that the child is capable unless some other indicator suggests otherwise. GN 00502.070 A. A child aged 15 to 17 is generally considered capable of managing his or her own benefits unless he/she has a court-appointed legal guardian or is entitled to disability benefits and a substance abuse condition exists, which indicates that he/she may need assistance. GN 00502.070 A.1.

5 POMS sections GN 00502.060 B.2 and GN 00502.050 B.1 and 2.

6 POMS section GN 00502.060 B.2. According to POMS section GN 00504.105 A.2, the Agency’s policy is to pay benefits directly to the beneficiary while a payee is being sought, unless direct payment is prohibited.

7 POMS section GN 00502.020 C.

8 POMS section GN 00501.015 B.

9 POMS section GN 00501.015 B.1.
update the individual’s claim if there is a keying error (such as an incorrect Social Security number) or if a Supplemental Security Income claim was processed outside of the Agency’s Modernized Supplemental Security Income Claims System.\textsuperscript{10}

RESULTS OF REVIEW

SSA adequately determined that representative payees were not needed and direct payment was appropriate in about 89.5 percent of our sample cases. However, we found that about 9 percent of the cases were not worked properly. The Agency’s procedures did not ensure that all beneficiaries who were incapable of managing or directing the management of their finances were paid through representative payees. If incapable beneficiaries are paid directly, their basic needs (food, clothing, and shelter) may not be met. We did not find a process in place to ensure that capability determinations were made for every case in which there was an indication that the beneficiary was not able to manage his or her own benefits. Also, we did not find a process in place to ensure that beneficiaries’ claims were updated when representative payees were appointed. Based on our review of 200 sample cases,\textsuperscript{11} we estimate that at least 17,035 beneficiaries were paid at least $342 million that should have been paid through representative payees.

Specifically, our review of 200 sample cases found that in:

- 179 cases (89.5 percent) direct payment of benefits was proper;\textsuperscript{12}

- 18 cases\textsuperscript{13} (9 percent) the beneficiaries were not capable of managing their benefits and $440,318 was paid to them that should have been paid through representative payees;\textsuperscript{14}

\textsuperscript{10} Modernized Systems Operations Manual section 238-B.

\textsuperscript{11} Of the 200 sample cases, 110 had a capability development flag of “Y” – Incapable and 90 had a capability development flag of “U” – Capability is Unresolved.

\textsuperscript{12} In 154 of these 179 cases, we determined the beneficiaries were capable based upon information contained in various electronic databases or based upon information in SSA’s case folders. In the remaining 25 cases, we were unable to locate documentation that FO employees had determined the beneficiaries were capable of receiving payments directly. FO employees reviewed these 25 cases (at our request) and determined these beneficiaries were capable of managing their own benefits.

\textsuperscript{13} Of these 18 cases, 15 had a capability development flag of “Y” – Incapable and 3 had a capability development flag of “U” – Capability is Unresolved.

\textsuperscript{14} The diagnosis codes in 16 of these 18 cases related to mental impairments and the remaining 2 cases were non-mental impairments. The representative payees later selected by SSA to manage the benefits in 14 of these 18 cases were relatives of the beneficiaries.
- 2 cases (1 percent) the individuals were no longer receiving benefit payments from SSA and therefore we did not determine whether the previously issued payments should have been paid through representative payees; and

- 1 case (0.5 percent) a FO review to determine whether the beneficiary is capable of managing her benefits has not been completed.

**PAYMENTS SHOULD HAVE BEEN PAID THROUGH REPRESENTATIVE PAYEES**

For 18 cases in our sample, FO staff—using the guidelines described under the background section of this report—determined that these beneficiaries were incapable of managing their own benefits. These 18 beneficiaries received $440,318 in payments that should have been paid through representative payees.\(^{15}\) In 7 of the 18 cases (39 percent), FO staff documented that the beneficiaries were incapable of managing their own benefits, however due to FO error, payees were not established and benefits were paid directly to the beneficiaries. For the remaining 11 cases (61 percent), we were unable to locate documentation that demonstrated whether FO staff had determined the beneficiaries were capable of managing their own benefits. FO staff reviewed these 11 cases, at our request, and determined the beneficiaries were not capable and that benefits should be paid through representative payees.

The following are 2 examples from the 18 beneficiaries who were incapable of managing their benefits, but who were paid directly:

(1) A beneficiary with a diagnosis of Bipolar Disorder was found disabled in June 2002; and

- The DDS documented its opinion that the individual was incapable of managing his own benefits.

- The remarks section on the disability determination form in this beneficiary’s case folder documented the opinion from the medical doctor who saw the individual that he was incapable of managing his own benefits.

- SSA’s Modernized Claims System contained remarks that the beneficiary was incapable of managing his benefits.

- SSA FO staff took a representative payee application from this person’s mother-in-law using the Representative Payee System.

We sent this case to the FO for review and the FO specialist determined the individual was incapable of managing his own benefits. The FO specialist wrote the following: "It appears that the [claims representative] did load a payee application

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\(^{15}\) In all cases we referred to FOs, we notified the FO that they should refer cases suspected to involve fraud to their local Office of the Inspector General, Office of Investigations. In none of the cases—where it was determined payment should be made through a representative payee—have we been notified that fraud was involved.
into the system. For some reason the payee did not attach to the claim. The payee application has been retriggered and should show on the [Master Beneficiary Record] by Tuesday 9/23/03. I have issued a reminder to my unit to double check payee information before clearing their claims.” Since there was no process in place to identify and correct this case, the beneficiary was paid 27 months of benefits totaling $16,767 that should have been paid through a representative payee.

(2) A beneficiary with a diagnosis of Mental Retardation was found disabled in July 1999; and
- The DDS documented its opinion that the beneficiary was incapable of managing her benefits.
- The remarks section on the disability determination form in this beneficiary’s case folder documented the opinion from the psychologist who saw the individual that she was incapable of managing her own benefits. The doctor’s report included the following: “At this point in time, should the client’s claim be granted or continued, it is not felt that the client is able to manage her funds in an appropriate, practical or realistic manner.”

We reviewed this case folder and SSA’s electronic systems and determined that a capability review was not performed by the FO. We requested the FO review the case. After contacting the beneficiary, the FO Technical Expert determined that the beneficiary was not capable and therefore, needed to have a representative payee. This beneficiary was paid 58 months of benefits totaling $41,341 that should have been paid through a representative payee—since there was no process in place to follow-up on cases requiring capability development.

CONCLUSIONS AND RECOMMENDATIONS

SSA did not document capability in all cases where there was an indication that the beneficiary could not manage or direct the management of his or her benefits. Additionally, SSA is not ensuring that payments to all beneficiaries determined to be incapable are paid through representative payees. Since incapable beneficiaries cannot manage their own funds to ensure their needs—such as food, shelter and medical care—are met, we believe SSA should take all feasible steps to ensure these vulnerable individuals have representative payees. Therefore, we recommend that SSA:

1. Assess available information to determine whether there is a cost-effective method to identify those individuals currently receiving benefits directly, but who are actually incapable of managing their funds. We estimate there are at least 17,035 beneficiaries currently in this situation.

2. Ensure SSA staff document capability in all cases where there is an indication that the beneficiary may not be able to manage his or her own benefits.

3. Develop a process that ensures all incapable beneficiaries’ payments are paid to the appointed representative payees.
AGENCY COMMENTS

Generally, SSA agreed with our recommendations. Specifically, the Agency assessed available information—as requested in our first recommendation—and determined a cost-effective methodology could not be developed to identify individuals currently receiving benefits directly, but who are actually incapable of managing their funds. Additionally, SSA agreed with our second recommendation and will issue a reminder to staff to develop and document their decisions on capability. The Agency will also consider the feasibility of future systems enhancements to enforce this documentation requirement. For our third recommendation, SSA will evaluate the case included in our report, assess its systems, and then share the results with the OIG. (See Appendix D for the Agency’s comments.)

OIG RESPONSE

We understand that SSA has limited resources and the Agency believes it is not cost-effective at this time to re-assess prior cases. However, the OIG may do additional work in the future to develop a cost-effective method for the Agency to identify and appoint representative payees for beneficiaries who need them. Additionally, we will assess the information SSA shares with us—once the Agency completes its evaluation of the case in our report and its systems—to determine whether further action is needed.

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
DDS  Disability Determination Services
FO  Field Office
POMS  Program Operations Manual System
SSA  Social Security Administration
Appendix B

Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Act and the Social Security Administration’s (SSA) regulations, rules, policies and procedures.

- Obtained a data file of 288,803 records containing all individuals in current pay status without representative payees who had allowance decisions made by a Disability Determination Service during the period 1995 through 2002 and who had capability development flags of “Y” – Incapable or “U” – Capability is Unresolved. From this population, we selected a random sample of 200 cases and projected our sample results to the population.

- Obtained the Master Beneficiary Record and/or Supplemental Security Record for each sample case. Using these records, we confirmed that the beneficiaries’ Old-Age, Survivors and Disability Insurance benefits and/or Supplemental Security Income payments were paid directly to the beneficiary.

- Reviewed the Master Beneficiary Record, Supplemental Security Record, Representative Payee System, Modernized Claims System, Modernized Supplemental Security Income Claims System and/or SSA case folder to assess whether SSA determined the beneficiaries were capable and thus should be paid directly.

- For cases in which we were unable to conclude that SSA determined the beneficiaries were able to manage or direct the management of their own benefits, we requested that the servicing field offices (FO) review the cases to determine whether it was proper for the beneficiaries to receive benefits directly or whether payments should be made through representative payees. For those cases where the FOs determined the beneficiaries were not capable of managing their own benefits, we calculated the dollar amounts and the number of months of benefits paid directly. This was done through the date we reviewed each case.

We conducted our audit between September and December 2003 in Boston, Massachusetts. We found the data used for this audit were sufficiently reliable to meet our audit objective. We did not conduct reviews of the beneficiaries to determine whether their actual needs were met during the period SSA paid their Social Security funds directly instead of through representative payees. The entity audited was SSA’s FOs under the Deputy Commissioner for Operations. We conducted our audit in accordance with generally accepted government auditing standards.
Appendix C

Sampling Methodology and Results

To assess whether Social Security Administration (SSA) procedures ensured that beneficiaries who were incapable of managing or directing the management of their finances were paid through representative payees, we obtained an extract of all initial decisions in Calendar Years 1995 through 2002. All cases that had capability development flags of “Y” – Incapable or “U” – Capability is Unresolved were matched against the Master Beneficiary Record and Supplemental Security Record. We extracted all cases that were in current pay status and did not have representative payees. This match resulted in 288,803 records. We selected a random sample of 200 cases from this population.

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<th>Sample Results and Projections</th>
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<td>Population size</td>
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<td>Number of beneficiaries to whom SSA paid benefits directly—instead of through representative payees</td>
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<td>Point estimate of cases in the population</td>
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<td>Benefits paid directly to individuals in sample cases that should have been paid through representative payees</td>
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<td>Point estimate of benefits paid in the population</td>
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Note: All projections were calculated at the 90-percent confidence level.
Agency Comments
MEMORANDUM

Date: April 30, 2004

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

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


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

Recommendation 1

SSA should assess available information to determine whether there is a cost-effective method to identify those individuals currently receiving benefits directly, but who are actually incapable of managing their funds. OIG estimate there are at least 14,679 beneficiaries currently in this situation.

Comment

We have assessed the available information and determined that we could not establish a cost-effective methodology. SSA would need to undertake a manual review of all folders to determine if any overlooked information related to incapability was in the folder. As such, it would not be cost-effective to review thousands of folders in order to find the potential cases where capability would need to be developed.

Recommendation 2

SSA should ensure staff document capability in all cases where there is an indication that the beneficiary may not be able to manage his or her own benefits.

Comment

We agree. Documentation of capability is critical when there is an indication that the individual may not be able to manage his or her own benefits. Current policy requires the completion of the “Beneficiary/Recipient Special Text” screen in the Representative Payee System (RPS) path when capability is an issue. We will issue a reminder to claims technicians to develop and document their decisions on capability, particularly when the Disability Determination Services has indicated that a capability issue exists. We will also consider the feasibility of future systems enhancements to enforce this policy requirement.

Recommendation 3

SSA should develop a process that ensures all incapable beneficiaries’ payments are paid to the appointed representative payees.
Comment

We agree in part. The situation described in the report suggests that there could be a problem with the Modernized Claims System or the RPS. We will evaluate the particular case to determine where the problem lies. Once our review is complete, we will share our results with OIG.

[In addition to the items listed above, SSA also provided technical comments which have been addressed, where appropriate, in this report.]
OIG Contacts and Staff Acknowledgments

OIG Contacts

Judith Oliveira, Director, (617) 565-1765

Acknowledgments

In addition to those named above:

Mike Atherton, IT Specialist
Phillip Hanvy, Program Analyst
Kevin Joyce, IT Specialist
Brennan Kraje, Statistician
Joseph LoVecchio, Auditor
David Mazzola, Audit Manager

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The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration’s (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA’s financial statements fairly present the Agency’s financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA’s programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

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The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG’s strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG’s public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG’s planned and current activities and their results to the Commissioner and Congress.

Office of Investigations
The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General
The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA’s programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel’s office also administers the civil monetary penalty program.