

---

**OFFICE OF  
THE INSPECTOR GENERAL**

---

**SOCIAL SECURITY ADMINISTRATION**

---

**THE SOCIAL SECURITY  
ADMINISTRATION'S  
PRISONER INCENTIVE  
PAYMENT PROGRAM**

July 2004      A-01-04-24067

---

**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: July 30, 2004

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: The Social Security Administration's Prisoner Incentive Payment Program  
(A-01-04-24067)

Our objective was to assess the accuracy of incentive payments to prisons for submission of inmate data leading to the suspension of Social Security benefits.

### **BACKGROUND**

The Social Security Act<sup>1</sup> allows the Social Security Administration (SSA) to make incentive payments to State and local correctional institutions and certain mental health institutions that provide inmate data to SSA. The incentive payment provisions in the Act were established to encourage the reporting of inmate data which would allow SSA to suspend Supplemental Security Income (SSI) and Old-Age, Survivors and Disability Insurance (OASDI) benefits to prisoners in a timely manner.<sup>2</sup>

Incentive payments are authorized in the following amounts:

- \$400 for information received within 30 days after the individual's date of confinement for SSI or confinement due to conviction for OASDI;
- \$200 for information received after 30 days but within 90 days after the individual's date of confinement for SSI or confinement due to conviction for OASDI; or
- \$0 for information received on or after the 91st day following the individual's date of confinement for SSI or confinement due to conviction for OASDI. (See Appendix B for additional background information.)

---

<sup>1</sup> The Social Security Act, §§ 202(x)(3)(B)(i) and 1611(e)(1)(I)(i).

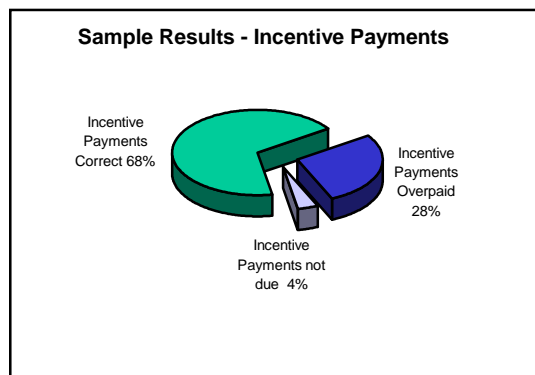
<sup>2</sup> The Social Security Act, §§ 202(x)(1)(A)(i) and 1611(e)(1)(A); 42 U.S.C. §§ 402 (x)(1)(A) and 1382(e)(1)(E) prohibit the payment of benefits to individuals receiving (1) OASDI benefits who have been convicted and incarcerated for a period of more than 30 days in a jail, prison or other penal or correctional facility, and (2) SSI payments who have been confined in a public institution throughout any month.

SSA programmed its incentive payment system to issue \$400 for inmate information received by the end of the month following the month of incarceration and \$200 for information received by the end of the third month after the month of confinement. In addition, the system has a built-in delay of 1 calendar month before the payment is issued. If during the next month it is determined that benefits should not be suspended due to incarceration, then the incentive payment will not be released.<sup>3</sup> SSA's policies and procedures state that if an incentive payment was released, but benefits should not have been suspended due to incarceration, the payment cannot be recovered.<sup>4</sup>

If SSA inadvertently pays a facility because of an SSA error (for example, SSA keyed incorrect incarceration data into the computer system), SSA will not litigate to recoup the erroneous payment.<sup>5</sup> The Agency will ask the correctional institution to return the payment. If the correctional institution agrees to refund the incentive payment, SSA will take action to recoup the payment.<sup>6</sup> If SSA pays an incentive payment to the wrong facility, SSA will issue the incentive payment to the correct institution at the earliest possible opportunity.<sup>7</sup>

## RESULTS OF REVIEW

SSA's procedures do not ensure that incentive payments to institutions that provide inmate information are being made in accordance with the provisions in the Social Security Act. Based on our review of 250 sample cases, we estimate that 86,131 incentive payments were issued incorrectly, resulting in approximately \$18.97 million in OASDI and SSI program funds that should not have been paid. (See Appendix C for our sampling methodology.)



Specifically, our review of 250 sample cases found that:

- 171 incentive payments were paid properly;
- 69 incentive payments were overpaid \$13,800 because the information was not received within the timeframe established by law, but was received within the timeframe implemented by SSA; and
- 10 incentive payments totaling

\$3,600 should not have been paid.

## Incentive Payments were Not Made in Accordance with the Social Security Act

<sup>3</sup> SSA, Modernized Systems Operations Manual, Chapter 92, Section 10.

<sup>4</sup> SSA, Program Operations Manual System (POMS), section SI 02310.089 E.

<sup>5</sup> SSA, POMS, section GN 02607.830 B.1.

<sup>6</sup> SSA, POMS, section SI 02310.091 C.

<sup>7</sup> SSA, POMS, section SI 02310.091 B.1.

The laws that amended the Social Security Act<sup>8</sup> to establish incentive payments included timeframes for the issuance and amount of payments. However, when implementing the incentive payment process, SSA established payment criteria that are inconsistent with the laws, as described previously. As a result, \$13,800 was overpaid in our incentive payment sample cases.

The following is an example of an incentive payment overpaid due to SSA not following the requirements in the Social Security Act:

- SSA received a report from an institution on May 21, 1997 showing a date of confinement of April 2, 1997 (49 days from confinement to receipt of information).
- SSA issued an incentive payment on August 1, 1997 for \$400, as the prisoner information was received before the end of the month following the month of confinement.
- The institution was overpaid \$200, as only \$200, not \$400, should have been paid for information received 49 days after confinement.

The following table shows the breakout of overpayments due to administrative tolerance:

Payment	Number of Cases	Amount of Overpayments	Percent
\$400 paid at 31-35 days	25	\$5,000	36%
\$400 paid at 36-40 days	18	\$3,600	26%
\$400 paid at 41-45 days	13	\$2,600	19%
\$400 paid at 46-50 days	8	\$1,600	12%
\$400 paid at 51-55 days	4	\$800	6%
\$200 paid at 108 days	1	\$200	1%
<b>Total</b>	<b>69</b>	<b>\$13,800</b>	<b>100%</b>

### Incentive Payments Issued Erroneously

In 10 sample cases, SSA should not have made incentive payments totaling \$3,600:

- In five cases, the person identified by SSA's computer matching program was not the correct person, and SSA personnel did not verify the identity before issuing the payment. This resulted in overpayments totaling \$1,800.
- In four cases, the recipient was released from prison before the date benefits would have been suspended, and no incentive payment should have been made. This resulted in overpayments totaling \$1,600.

<sup>8</sup> Pub. L. No. 104-193 § 203 and Pub. L. No. 106-170 § 402.

- In one case, the incentive payment was made to the wrong facility and for the wrong amount. This resulted in an overpayment of \$200.

The following are two examples of incentive payments that should not have been paid:

(1) An incentive payment was paid for the wrong beneficiary:

- SSA received a report from an institution on January 7, 2001 showing a date of confinement of December 7, 2000.
- A name, but no Social Security number (SSN), was provided when reporting the inmate's information to SSA. SSA's computer system provided an SSN for the prisoner report and an alert that the identity was not an exact match.
- SSA suspended the reported prisoner's benefits without determining whether it had the correct beneficiary.
- SSA later found that this individual was never in the institution that sent the inmate information.

(2) An incentive payment was paid although incarceration was too short to suspend benefits:

- SSA received a report from an institution on December 11, 2000 showing a date of confinement of November 10, 2000.
- SSA suspended the prisoner's benefits.
- The beneficiary was not incarcerated for 1 full calendar month. Therefore, benefits should not have been suspended.
- The SSA technician did not post a release date to show that the beneficiary was released before 1 full calendar month expired.
- Posting of a release date would have suppressed the incentive payment.

## **CONCLUSIONS AND RECOMMENDATIONS**

SSA did not adhere to incentive payment provisions included in the Social Security Act when making payments to facilities that reported inmate information. By making correct incentive payments in the future, SSA can ensure funds are not inappropriately expended from either the Social Security Trust Fund or the General Fund. This in turn could extend the solvency of the Social Security program and make funds available for other Government programs that utilize the General Fund.

Therefore, we recommend that SSA:

1. Pay incentive payments in accordance with the Social Security Act provisions.
2. Provide refresher training to employees to reduce the number of erroneous incentive payments due to clerical errors.

## **AGENCY COMMENTS**

SSA generally agreed with our recommendations. Specifically, SSA agreed that there is a discrepancy between the incentive payment provisions included in the Social Security Act and how the Agency is paying incentive payments. SSA is working to develop a resolution. Also, SSA will provide refresher training to staff to emphasize the correct processing of prisoner suspensions. (See Appendix D for the Agency's comments.)



Patrick P. O'Carroll, Jr.

# *Appendices*

---

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Background

[APPENDIX C](#) – Scope, Methodology and Sample Results

[APPENDIX D](#) – Agency Comments

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



## Acronyms

GAO	Government Accountability Office
OASDI	Old-Age, Survivors and Disability Insurance
P.L.	Public Law
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
U.S.C.	United States Code

# Background

## Title XVI

Public Law (P.L.) 104-193—enacted on August 22, 1996—amended section 1611(e)(1) of the Social Security Act to provide for incentive payments from Title XVI program funds to State and local correctional institutions and certain mental health institutions which report inmate information to the Social Security Administration (SSA). The law authorized payment to an institution for information about an inmate if the inmate was receiving a Title XVI payment for the month that proceeds the first month throughout which the inmate is in the institution and becomes ineligible for such benefit.

Effective March 1, 1997, P.L. 104-193 authorized SSA to pay the Title XVI incentive payment in the following amounts:

- \$400 for information received within 30 days after the individual's date of confinement;
- \$200 for information received after 30 days but within 90 days after the individual's date of confinement; or
- \$0 for information received on or after the 91st day following the individual's date of confinement.

## Title II

P.L. 106-170—enacted on December 17, 1999—amended section 202(x)(3) of the Social Security Act to provide for incentive payments from Title II program funds to State and local correctional institutions and certain mental health institutions which report inmate information to SSA. The law authorized payment to an institution for information about an inmate if the inmate was receiving a Title II benefit for the month that proceeds the first month in which the inmate is in the institution and becomes ineligible for such benefit.

Effective April 1, 2000, P.L. 106-170 authorized SSA to pay the Title II incentive payment in the following amounts:

- \$400 for information received within 30 days after the individual's date of confinement and conviction;
- \$200 for information received after 30 days but within 90 days after the individual's date of confinement and conviction; or
- \$0 for information received on or after the 91st day following the individual's date of confinement and conviction.

## Prior Reports on Incentive Payments

In November 1999, the United States Government Accountability Office (GAO) issued a report, *Supplemental Security Income – Incentive Payments Have Reduced Benefit Overpayments to Prisoners*. GAO found that since incentive payment legislation was passed, SSA made a total of 39,137 Supplemental Security Income (SSI) benefit suspensions through November 1998 to facilities that had signed incentive payment agreements. By suspending benefits, SSA identified \$32.1 million of potentially recoverable SSI overpayments that it has already made and prevented approximately \$37.6 million in future erroneous SSI payments. SSA made incentive payments of almost \$10 million to facilities.

In a July 2003 Office of the Inspector General audit,<sup>1</sup> we determined that since incentive payment legislation was passed, SSA significantly increased the number of facilities that are reporting prisoner data to SSA. Prior to incentive payment legislation, SSA received prisoner data from 46 of the 50 States and from 156 county and local facilities. Currently, SSA receives data from all 50 States and over 3,000 county and local facilities.

---

<sup>1</sup> SSA, OIG, *Follow-up on Prior Office of the Inspector General Prisoner Audits* (A-01-02-12018), July 2003.

# Scope, Methodology and Sample Results

## Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Act and Social Security Administration (SSA) regulations, rules, policies and procedures.
- Reviewed the United States Government Accountability Office report, *Supplemental Security Income – Incentive Payments Have Reduced Benefit Overpayments to Prisoners* (GAO/HEHS-00-2), November 1999.
- Reviewed our prior prisoner audit report, *Follow-up on Prior Office of the Inspector General Prisoner Audits* (A-01-02-12018), July 2003.
- Obtained a file of 272,656 incentive payments totaling \$99.58 million. From this population, we selected a random sample of 250 cases. For each sample item, we reviewed the Master Beneficiary Record and/or the Supplemental Security Record and SSA's prisoner system information related to the incentive payment. We analyzed this information to determine if the incentive payments were appropriate according to the provisions in the Social Security Act. For cases in which we could not determine if incentive payments should have been made, we asked SSA to determine if the payments were correct.

We conducted our audit between November 2003 and February 2004 in Boston, Massachusetts. We found the data used for this audit were sufficiently reliable to meet our audit objective. The entity audited was the Office of Income Security Programs, Office of Payment Policy under the Deputy Commissioner for Disability and Income Security Programs. We conducted our audit in accordance with generally accepted government auditing standards.

## Sample Results

We obtained an extract of all incentive payments made between March 1997 and August 2003. This extract contained 272,656 incentive payments totaling \$99,581,600. We selected a random sample of 250 cases from this population.

<b>Sample Results and Projections</b>	
Population size	272,656
Sample size	250
<b>Attribute Projections</b>	
Number of incentive payments paid incorrectly	79
Point estimate of incorrect payments in the population	86,131
Projection lower limit	72,906
Projection upper limit	100,252
<b>Dollar Projections</b>	
Amount of incentive payments paid incorrectly	\$17,400
Point estimate of benefits paid in the population	\$18,970,524
Projection lower limit	\$15,895,737
Projection upper limit	\$22,045,311

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

## Agency Comments



## SOCIAL SECURITY

MEMORANDUM

33310-24-1168

**Date:** July 9, 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 Social Security Administration's Prisoner Incentive Payment Program" (A-01-04-24067)--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.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “THE SOCIAL SECURITY ADMINISTRATION’S PRISONER INCENTIVE PAYMENT PROGRAM” (A-01-04-24067)**

Thank you for the opportunity to comment on the subject draft report.

Since 1974 the Social Security Administration (SSA) has actively been involved in identifying inmates of penal institutions and correctional facilities who may be receiving Social Security or Supplemental Security Income (SSI) benefits.

Currently, SSA has 2,365 signed agreements in place, representing 5,196 facilities that are eligible for incentive payments. These agreements represent 95 percent of all correctional facilities, including the Federal Bureau of Prisons, all State prison systems, and most county and local jails. The reports from these facilities cover 99 percent of the inmate population in the United States.

The effectiveness of the incentive payment program can clearly be seen through the number of suspensions in both the SSI and the Old Age Survivor and Disability Insurance (OASDI) programs. Since its inception in 1997, SSA has made over 253,633 suspensions in the SSI program, over 50,848 in the Social Security Disability Insurance program, and 11,087 suspensions in the Social Security Retirement Survivors Insurance program.

In April 1998 the Office of the Chief Actuary (OCACT) estimated that prisoner suspensions were saving the OASDI and SSI programs roughly \$500 million annually.

Our response to the specific recommendations is provided below.

**Recommendation 1**

The Social Security Administration (SSA) should pay incentive payments in accordance with the Social Security Act provisions.

**Comment**

We agree that there is a discrepancy between the law and SSA’s implementation that needs resolution. Section 202(x)(1)(B)(i)(I) and section 1611(e)(1)(I)(i)(I) of the Social Security Act (the Act) require institutions to report their inmate information to SSA on a monthly basis. Section 202(X)(1)(B)(i)(II) and section 1611(e)(1)(I)(i)(II) state that SSA will pay the institution \$400 if the institution furnishes the information to SSA within 30 days after the date the individual is confined in the institution, and \$200 if the institution furnishes the information after 30 days, but within 90 days of the date of confinement. In order for an institution to obtain the maximum incentive payment of \$400, the institution would have to report their inmate data to SSA at least twice a month instead of monthly. Doing so would create a hardship for correctional institutions. To avoid this potential hardship, and to encourage participation in the incentive payment program, SSA accepts reports made in the month following the month of



confinement as meeting the 30-day requirement. This interpretation has facilitated the recruiting of correctional institutions into the program.

However, we agree that this issue should be resolved. In developing such a resolution, we will strive not to strain limited resources or place undue hardship on participating facilities.

### Recommendation 2

SSA should provide refresher training to employees to reduce the number of erroneous incentive payments due to clerical errors.

### Comment

We agree. Most erroneous incentive payment errors can be eliminated by performing the required verifications prior to taking an action. However, there will always be unexpected releases of confined individuals or inaccurate information from the reporters. Occurrences such as these could result in occasional erroneous incentive payments being made.

We will provide refresher training to SSA staff to emphasize the correct development and suspension instructions for processing prisoner suspensions.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Judith Oliveira, Director, (617) 565-1765

David Mazzola, Audit Manager, (617) 565-1807

### ***Acknowledgments***

In addition to those named above:

Phillip Hanvy, Program Analyst

Kevin Joyce, IT Specialist

Charles Zaepfel, IT Specialist

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-01-04-24067.

## **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.