
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**BENEFITS PAID TO TITLE II
BENEFICIARIES WITH
A CHILD-IN-CARE**

June 2009 A-01-09-29070

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: June 26, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Benefits Paid to Title II Beneficiaries with a Child-in-Care (A-01-09-29070)

OBJECTIVE

Our objective was to determine whether Title II beneficiaries who received benefits because they had a child in their care were entitled to the benefits paid to them.

BACKGROUND

Certain spouses and divorced spouses of retired or disabled workers may be paid benefits under Title II of the *Social Security Act* if they have an eligible child beneficiary in their care. In addition, benefits may also be payable to certain surviving spouses of deceased workers.¹ To be eligible for child-in-care benefits, these beneficiaries must have in their care a

- child beneficiary under age 16,
- mentally disabled child age 16 or older, or
- physically disabled child age 16 or older for whom they are providing personal services, such as feeding or dressing.

The Social Security Administration (SSA) uses its Title II Redesign (T2RD) system to analyze information in the Agency's systems each month to determine whether the last child in a beneficiary's care is no longer entitled to benefits or has reached age 16. In most cases, the system should automatically stop child-in-care benefits when these situations occur.

¹ The *Social Security Act* § 202 *et seq.*, 42 U.S.C. § 402 *et seq.*

The T2RD system also automatically identifies beneficiaries receiving child-in-care benefits 5 months prior to the last child on the record attaining age 16. These beneficiaries are sent a notice informing them that benefits will end when the last child on the record reaches age 16 unless the child is disabled.

To perform our review, we identified 1,299 Title II beneficiaries—receiving child-in-care benefits as of June 2008—who did not appear to have an eligible child in their care. These cases consisted of two populations.

- 1,065 Title II beneficiaries who had a child in their care who was age 16 or older. There was no other child under age 16 on the records. We randomly selected 200 cases from this population for detailed analysis.
- 234 Title II beneficiaries who had a physically disabled child in their care who was age 16 or older. There was no other child under age 16 on the records. In addition, the ZIP Codes for these child beneficiaries did not match the corresponding ZIP Codes of the Title II beneficiaries. Therefore, it appeared these Title II beneficiaries were not providing personal services for these child beneficiaries since they did not reside at the same address. We randomly selected 50 cases from this population for detailed analysis.

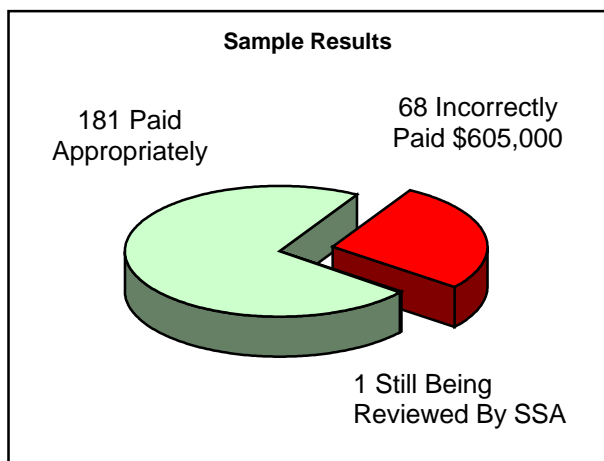
In total for the 2 samples, we randomly selected 250 cases for detailed analysis. (See Appendix B for more information on our scope, methodology, and sample results.)

RESULTS OF REVIEW

We found that some beneficiaries who received child-in-care benefits were not entitled to the benefits paid to them. Based on our review of the two samples, we estimate about \$3.0 million in incorrect benefit payments went undetected by SSA. This includes about \$2.6 million in overpayments to approximately 287 beneficiaries and about \$450,000 in adjusted benefits to approximately 150 beneficiaries.²

In addition, we estimate SSA will continue to incorrectly pay about \$1.8 million over the next 12 months to individuals who are no longer entitled to child-in-care benefits if the Agency does not take action.

² These adjusted benefits are overpayments that are offset against underpayments due other family members.



Of the 250 beneficiaries in our 2 samples

- 68 (27 percent) were incorrectly paid about \$605,000 because they did not have an eligible child in their care,³
- 181 (72 percent) were appropriately paid child-in-care benefits, and
- 1 (1 percent) was still being reviewed by SSA as of June 2009.

BENEFICIARIES INCORRECTLY PAID CHILD-IN-CARE BENEFITS

Of the 250 beneficiaries in our 2 samples, 68 were incorrectly paid about \$605,000 in child-in-care benefits. Of this amount, about \$584,000 to 65 beneficiaries went undetected by the Agency.⁴ This includes about \$499,000 in overpayments to 55 beneficiaries and about \$85,000 in adjusted benefits to 29 beneficiaries.⁵ For 19 beneficiaries, both overpayments and adjustments to benefits resulted. See the table below for a breakout of overpayments and adjustments.

| Breakout of Overpayments and Adjustments | | | | |
|--|-----------------|--------------------|-------------------|---|
| Case Type | Number of Cases | Overpayment Amount | Adjustment Amount | Total Amount Incorrectly Paid Not Detected by SSA |
| Overpayment Only | 36 | \$409,360 | | \$409,360 |
| Adjustment Only | 10 | | \$36,391 | \$36,391 |
| Both Overpayment and Adjustment | 19 | \$89,743 | \$48,205 | \$137,948 |
| Total | 65 | \$499,103 | \$84,596 | \$583,699 |

³ This includes two beneficiaries incorrectly paid about \$68,083. SSA was still correcting these records in June 2009.

⁴ SSA identified about \$21,000 in overpayments to three beneficiaries before our audit.

⁵ Because of our audit, SSA saved about \$346,000 by stopping benefit payments for 47 of these beneficiaries that otherwise would have been paid over the next 12 months. For the 55 beneficiaries overpaid, overpayment periods ranged from 5 to 143 months, with an average of about 20 months. The median was 13 months.

T2RD SYSTEM

SSA uses its T2RD system to detect individuals who may be incorrectly receiving child-in-care benefits. However, within our 2 samples, we found that 65 beneficiaries were incorrectly paid child-in-care benefits and these cases were not identified by the T2RD system. We researched available data on SSA's systems and contacted Agency personnel to determine why T2RD did not stop child-in-care benefits to these beneficiaries and found that

- 33 beneficiaries' claims were processed incorrectly by SSA staff and, as a result, were not detected by T2RD; and
- 8 beneficiaries were no longer providing personal services for their physically disabled child—and T2RD does not have any automated controls to detect these types of cases.

We were unable to determine why the remaining 24 cases were not detected by T2RD.

Beneficiary Claims Processed Incorrectly

In 33 sample cases, SSA staff processed beneficiaries' claims incorrectly and, as a result, the cases were not detected by T2RD. For example

- In one case, necessary information about the child-in-care was not entered into SSA's system. As a result, T2RD did not detect the case when the child reached age 16 in October 2007. In this case, the maximum amount of benefits payable to the family members was \$473 per month. Therefore, the mother and child were each receiving \$236 per month. Based on our audit, SSA stopped benefit payments to the mother and increased the child's monthly check to \$473. The Agency used \$3,294 of the child's underpayment to recover the mother's overpayment.
- In another case, the Social Security number on which a child was entitled was input incorrectly by one digit when the claim was initially taken for child-in-care benefits. As a result, T2RD did not detect the case when the child reached age 16 in July 2007. Based on our audit, SSA stopped benefit payments and assessed an overpayment totaling about \$20,000 from July 2007 to December 2008. SSA also used \$1,700 of the child's underpayment to recover some of the mother's overpayment.

In addition, for 8 of the 33 cases, we found that SSA staff processed claims and initiated benefit payments for beneficiaries even though the child in their care was over age 16. Therefore, these beneficiaries were not due any of the benefits paid to them. These eight beneficiaries incorrectly received about \$69,000 in child-in-care benefits.

For example, one child reached age 16 in July 2007. The child's mother applied for child-in-care benefits in August 2007 and SSA processed the claim—even though the child was over age 16 (and not disabled). Based on our audit, SSA stopped the child-in-care benefits and determined the beneficiary was never due any benefits. This beneficiary was overpaid about \$27,000 from August 2007 to December 2008.

Beneficiaries Not Performing Personal Services for Physically Disabled Child

SSA's T2RD system does not have any automated controls to detect cases in which beneficiaries are no longer providing personal services for their physically disabled child. SSA relies on beneficiaries to notify the Agency when they are no longer providing personal services. Therefore, 8 beneficiaries in our sample of 50 Title II beneficiaries with a physically disabled child were not detected by T2RD and incorrectly paid about \$170,000 in child-in-care benefits.

For example, one beneficiary receiving child-in-care benefits had a different address than her 38-year-old physically disabled child and, therefore, did not appear to be providing personal services. Based on our referral, SSA determined the beneficiary had not been providing personal services to her physically disabled child since April 1997. This beneficiary was overpaid about \$54,000 from April 1997 to February 2009.

CONCLUSION AND RECOMMENDATIONS

We found that some beneficiaries who received child-in-care benefits were not entitled to the benefits paid to them. Although the Agency identified some of the incorrect payments before our audit, we estimated about \$3.0 million went undetected. In addition, we estimate SSA will continue to incorrectly pay about \$1.8 million over the next 12 months to beneficiaries no longer entitled to child-in-care benefits if the Agency does not take action. Therefore, we recommend that SSA:

1. Review the remaining cases in our two populations in which it appears the Title II beneficiaries do not have an eligible child in their care.
2. Remind employees of the proper procedures to follow when processing child-in-care benefit payments.

AGENCY COMMENTS

SSA agreed with both recommendations. (See Appendix C.)



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

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

[APPENDIX C](#) – Agency Comments

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

Acronyms

| | |
|--------|----------------------------------|
| OIG | Office of the Inspector General |
| POMS | Program Operations Manual System |
| SSA | Social Security Administration |
| T2RD | Title II Redesign |
| U.S.C. | United States Code |

Scope, Methodology and Sample Results

To accomplish our objective, we

- Reviewed the applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Obtained a file of Title II beneficiaries—with a child in their care age 16 or older—who were receiving benefits as of June 2008. We further narrowed this population by excluding cases in which there was any child on the record who was under age 16. From this file, we identified 2 populations:
 - ✓ 1,065 Title II beneficiaries who had a child in their care who was age 16 or older. We randomly selected 200 cases from this population for detailed analysis.
 - ✓ 234 Title II beneficiaries who had a physically disabled child in their care who was age 16 or older.¹ In addition, the ZIP Codes for these child beneficiaries did not match the corresponding ZIP Code for the Title II beneficiaries. Therefore, it appeared these Title II beneficiaries were not providing personal services for their child beneficiaries since they did not reside at the same address. We randomly selected 50 cases from this population for detailed analysis.

In total, we randomly selected 250 cases from the 2 populations. For all 250 cases, we researched available data on SSA's systems and/or contacted appropriate Agency employees to determine whether the Title II beneficiaries were, in fact, entitled to the child-in-care benefits paid to them.

We conducted our review between October 2008 and June 2009 in Boston, Massachusetts. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our audit objective. The principal entities audited were the Offices of Income Security Programs under the Deputy Commissioner for Retirement and Disability Policy, and Retirement and Survivors Insurance Systems under the Deputy Commissioner for Systems.

¹ We excluded cases in which the child had a mental disability because—according to SSA—decisions regarding cases with mental disabilities are highly judgmental and will depend on the facts on a case-by-case basis. SSA, POMS, RS 01310.035 § B.2.c.

We conducted our 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SAMPLE RESULTS

| Table B-1: Population and Sample Size | | | |
|--|---------------------|---------------------|--------------|
| | Population A | Population B | Total |
| Population size | 1,065 | 234 | 1,299 |
| Sample size | 200 | 50 | 250 |

| Table B-2: Beneficiaries Incorrectly Paid Who Were Not Identified by SSA—Where Overpayments Resulted | | | |
|---|---------------------|---------------------|--------------|
| | Population A | Population B | Total |
| Attribute Projections | | | |
| Sample Results | 47 | 8 | 55 |
| Point Estimate | 250 | 37 | 287 |
| Projection Lower Limit | 204 | 21 | |
| Projection Upper Limit | 302 | 60 | |
| Dollar Projections | | | |
| Sample Results | \$329,334 | \$169,769 | \$499,103 |
| Point Estimate | \$1,753,704 | \$794,519 | \$2,548,223 |
| Projection Lower Limit | \$1,229,773 | \$273,751 | |
| Projection Upper Limit | \$2,277,634 | \$1,315,287 | |

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

| Table B-3: Beneficiaries Incorrectly Paid Who Were Not Identified by SSA—Where Adjustments Were Made² | | | |
|---|---------------------|---------------------|--------------|
| | Population A | Population B | Total |
| Attribute Projections | | | |
| Sample Results | 29 | 0 | 29 |
| Point Estimate | 154 | 0 | 154 |
| Projection Lower Limit | 117 | | |
| Projection Upper Limit | 200 | | |
| Dollar Projections | | | |
| Amount of Adjusted Benefits | \$84,596 | \$0 | \$84,596 |
| Point Estimate of Benefits Paid | \$450,474 | \$0 | \$450,474 |
| Projection Lower Limit | \$314,252 | | |
| Projection Upper Limit | \$586,695 | | |

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

In total, we estimate \$3.0 million in benefits were incorrectly paid. This is the point estimate from Tables B-2 and B-3 combined.

| Table B-4: Benefits SSA will Continue to Pay to Beneficiaries No Longer Entitled to Child-In-Care Benefits | | | |
|---|---------------------|---------------------|--------------|
| | Population A | Population B | Total |
| Attribute Projections | | | |
| Sample Results | 41 | 6 | 47 |
| Point Estimate | 218 | 28 | 246 |
| Projection Lower Limit | 174 | 14 | |
| Projection Upper Limit | 268 | 49 | |
| Dollar Projections | | | |
| Sample Results | \$311,532 | \$34,644 | \$346,176 |
| Point Estimate | \$1,658,908 | \$162,134 | \$1,821,042 |
| Projection Lower Limit | \$1,200,229 | \$61,736 | |
| Projection Upper Limit | \$2,117,587 | \$262,531 | |

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

² These adjusted benefits are overpayments that are offset against underpayments due other family members.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: June 12, 2009 **Refer To:** S1J-3

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

From: James A. Winn /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Benefits Paid to Title II Beneficiaries with a Child-in-Care" (A-01-09-29070)—INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached are our responses to the report findings and recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “BENEFITS PAID TO TITLE II BENEFICIARIES WITH A CHILD-IN-CARE” (A-01-09-29070)

We reviewed the subject report and agree with the findings and recommendations. Below are our responses to the specific recommendations.

Recommendation 1

Review the remaining cases in the two populations in which it appears the Title II beneficiaries do not have an eligible child in their care.

Comment

We agree. By November 20, 2009, we will review the remaining cases from the two populations in which it appears the Title II beneficiaries do not have an eligible child in their care.

Recommendation 2

Remind employees of the proper procedures to follow when processing child-in-care benefit payments.

Comment

We agree. We will issue an Administrative Message by August 1, 2009, reminding employees of the proper procedures to follow when processing child-in-care benefit payments.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Judith Oliveira, Director, Boston Audit Division

Acknowledgments

In addition to those named above:

Katie Greenwood, Auditor

Kevin Joyce, IT Specialist

Melinda Padeiro, Senior Auditor

For additional copies of this report, please visit our web site at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-01-09-29070.

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, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

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 Pensions 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 an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG 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. Also, OCCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.