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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**BENEFICIARIES INCORRECTLY  
IDENTIFIED AS PRISONERS**

**October 2012     A-01-11-01120**

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**AUDIT REPORT**

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## **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.**

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# SOCIAL SECURITY

## MEMORANDUM

Date: October 3, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Beneficiaries Incorrectly Identified as Prisoners (A-01-11-01120)

## OBJECTIVE

Our objective was to determine how beneficiaries were affected when the Social Security Administration (SSA) mistook them for prisoners.

## BACKGROUND

SSA provides Old-Age, Survivors and Disability Insurance (OASDI) benefits to retired or disabled workers and their families and to survivors of deceased workers.<sup>1</sup> SSA also provides Supplemental Security Income (SSI) payments to financially needy individuals who are aged, blind, or disabled.<sup>2</sup> In Fiscal Year 2011, SSA paid about \$770 billion to over 60 million beneficiaries.<sup>3</sup>

The *Social Security Act* generally prohibits benefits to individuals confined to a jail, prison, or certain other public institutions for committing a crime.<sup>4</sup> SSA obtains prisoner data from Federal, State, and local facilities. Once obtained, SSA verifies the prisoners' Social Security numbers (SSN).<sup>5</sup> If the SSNs verify, SSA electronically matches the

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

<sup>2</sup> *Social Security Act* § 1601, *et seq.*, 42 U.S.C. § 1381, *et seq.*

<sup>3</sup> SSA, *Fiscal Year 2011 Performance and Accountability Report*, page 7, November 2011.

<sup>4</sup> *Social Security Act* §§ 202(x)(1)(A) and 1611(e)(1)(A), 42 U.S.C. §§ 402(x)(1)(A) and 1382(e)(1)(A).

<sup>5</sup> To verify a prisoner's SSN, SSA compares the SSN along with other identifying information to its SSN records using its Enumeration Verification System (EVS). If EVS does not find a match, SSA takes additional steps to locate the SSN assigned to the prisoner.

prisoner data against its benefit rolls. When the data match, the system creates a record in SSA's Prisoner Update Processing System (PUPS) and sends a PUPS alert to SSA staff.<sup>6</sup>

When an SSA employee receives a PUPS alert, he/she must verify the individual's identity and any other prisoner data, if necessary. If the employee determines that benefits should be stopped, the employee inputs the suspension into PUPS, if possible, and generally sends the beneficiary an advance notice. This notice informs the beneficiary of the suspension. It also informs the beneficiary that if he/she protests the suspension within a certain period, he/she can continue getting benefits until SSA decides on the protest.<sup>7</sup> If SSA determines the beneficiary is not the prisoner based on the protest, it resumes the individual's benefits. When SSA resumes the individual's benefits, it is required to annotate the PUPS alert with an explanation for the resumption. This annotation is important because it helps the next SSA employee if there is a subsequent alert.<sup>8</sup>

At the March 16, 2011 public hearing on SSA's Compassionate Allowance program,<sup>9</sup> an OASDI beneficiary stated that someone had stolen her identity and given it to the authorities each time they went to prison.<sup>10</sup> With each incarceration, SSA's systems created a PUPS record for the beneficiary. As a result, SSA erroneously suspended her benefits many times and assessed an overpayment of about \$25,000. The beneficiary also stated that she had to declare bankruptcy and became homeless. The Commissioner of SSA, who was present at the hearing, expressed concern regarding the matter. As a result, we conducted this review.

To perform our review, we obtained a file of 6.4 million people who had PUPS records as of May 2011. From this file, we identified 309 beneficiaries (0.0049 percent) whom it appeared SSA had incorrectly identified as prisoners. These beneficiaries had

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<sup>6</sup> SSA, POMS, SI 02310.073 A and B (effective March 15, 2011).

<sup>7</sup> For OASDI benefits, the advance notice period is 30 days when SSA obtains the prisoner data through a computer match and the beneficiary can protest the action. For SSI benefits, the advance notice period is 10 days and the recipients can appeal the action. SSA, POMS, GN 03001.015 (effective July 16, 2004) and SI 02301.300 (effective October 14, 2004).

<sup>8</sup> SSA, POMS, GN 02607.600 (effective June 25, 2004); GN 02607.700 A (effective August 24, 2004); GN 02607.760 (effective May 29, 2009); GN 02607.870 (effective October 12, 2004); GN 03001.025 (effective November 15, 2011); SI 02301.310 (effective May 23, 2012); SI 02310.079 C (effective May 29, 2001); SI 02310.080 A (effective June 16, 2005); and SI 02310.093 E (effective March 2, 2012).

<sup>9</sup> Compassionate Allowances are cases that SSA processes quickly because they have medical conditions that are obviously disabling. For more information, see SSA OIG, *Compassionate Allowance Initiative* (A-01-10-21080), August 2010.

<sup>10</sup> SSA, *Compassionate Allowances Outreach Hearing on Autoimmune Diseases* (March 16, 2011), [www.socialsecurity.gov/compassionateallowances/hearings031611.htm](http://www.socialsecurity.gov/compassionateallowances/hearings031611.htm).

confinement dates on their PUPS records ranging from 1991 to 2011. In May 2012, we sent some of these 309 cases to SSA for review and corrective action. (See Appendix B for additional information on our scope and methodology.)

## RESULTS OF REVIEW

We found some beneficiaries who were adversely affected when SSA mistook them for prisoners. Of the 309 beneficiaries in our population, 291 were adversely affected when SSA erroneously suspended their benefits and generally assessed overpayments on their records.<sup>11</sup> Furthermore, in 27 of these cases, the beneficiaries were adversely affected in other ways.

- In eight cases, SSA owed the beneficiaries \$32,254 for the benefits it erroneously suspended. Because of our review, SSA paid \$31,714 to seven of the beneficiaries in August 2012. The remaining case was still under review.
- In 19 cases, SSA collected \$16,014 from the beneficiaries to recover the erroneous overpayments. In some of these cases, SSA could have removed the overpayments from the records before the collections took place but did not. Furthermore, in all but 12 of the 19 cases, SSA returned all the beneficiaries' money. In these 12 cases, SSA owed the beneficiaries \$6,017. Because of our review, SSA paid \$4,298 to eight of the beneficiaries in August 2012. The remaining four cases were still under review.

Overall, SSA owed \$38,271 to 20 beneficiaries (including 8 beneficiaries from the first bullet and 12 beneficiaries from the second bullet). Because of our review, SSA paid \$36,012 of this money to 15 of the 20 beneficiaries in August 2012. The remaining five cases were still under review.

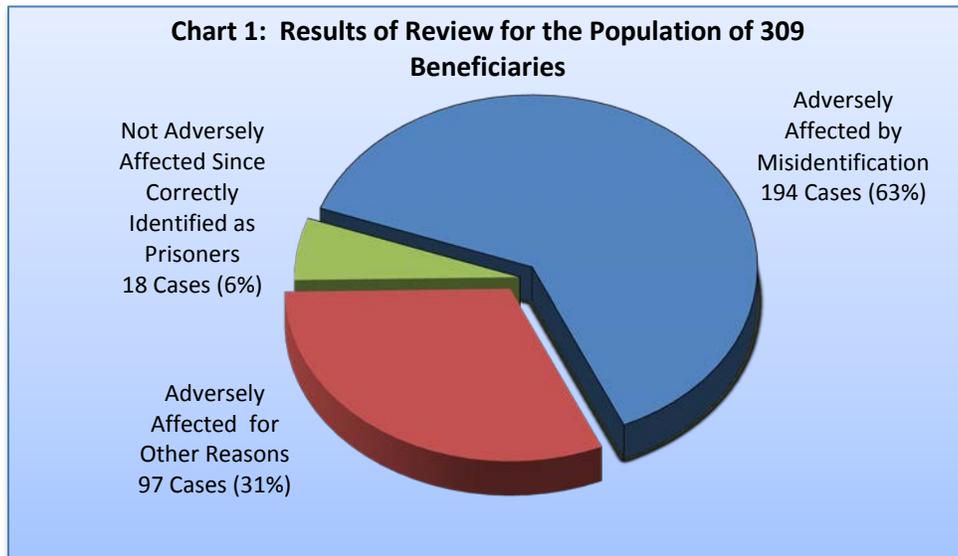
Additionally, we found three beneficiaries SSA overpaid \$21,435.<sup>12</sup> As of August 2012, SSA had assessed \$19,565 in overpayments for two of the cases and was still working on the remaining case, which we estimate was overpaid \$1,870. Two beneficiaries were overpaid because their benefit records erroneously indicated that the Agency had collected money from them to recover the erroneous overpayment. We also determined that the Agency overpaid the other beneficiary because it miscalculated the payments it owed the individual for the erroneous suspension.

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<sup>11</sup> In 81 of these cases, the beneficiaries or SSA staff suspected that the prisoners stole the beneficiaries' identities and used the stolen identities when they went to prison.

<sup>12</sup> For example, SSA received a PUPS alert on May 25, 2010 for an OASDI beneficiary from Tennessee. The alert stated that the beneficiary had been in prison since June 9, 2009. Consequently, on September 30, 2010, SSA suspended the individual's benefits and determined he was overpaid \$12,963. After SSA obtained proof that the beneficiary was not in prison, the Agency resumed his benefits, removed the overpayment from his record, and correctly paid him \$700 for the benefits it erroneously suspended. A few days later, the Agency issued the beneficiary a payment of \$12,963 because the individual's benefit record erroneously indicated that it had collected this money from him.

Of the 291 beneficiaries—194 were adversely affected because of mistaken identity, and 97 were adversely affected for other reasons. These 291 beneficiaries represent 0.0046 percent of the 6.4 million people who had PUPS records as of May 2011. In the remaining 18 cases in our population of 309, the beneficiaries were not adversely affected since SSA correctly identified them as prisoners (see Chart 1). These findings are small given that SSA paid about \$770 billion to over 60 million beneficiaries in Fiscal Year 2011.



### **BENEFICIARIES ADVERSELY AFFECTED WHEN SSA INCORRECTLY IDENTIFIED THEM AS PRISONERS**

In 194 of the 309 cases in our population, SSA incorrectly identified the beneficiaries as prisoners. As a result, SSA erroneously suspended their benefits and generally assessed overpayments on their records. On average, SSA erroneously suspended the benefits for 1 month (see Table 1).

<b>Table 1</b>	
<b>Number of Months SSA Erroneously Suspended Benefits</b>	<b>Number of Cases</b>
Less than 1 month	161
1 month	12
2 months	6
3 months	5
4 months	3
5 months	3
6 months	1
10 months	2
62 months	1
<b>Total</b>	<b>194</b>

In 12 of these cases, the beneficiaries were adversely affected in other ways.

- In five cases, SSA owed the beneficiaries \$31,092 for the monthly benefits it erroneously suspended. SSA paid \$30,552 of this money to four of the beneficiaries in August 2012 after it reviewed the cases based on our request. The remaining case was still under review. For example, in February 2010, SSA received a PUPS alert that an OASDI beneficiary from North Carolina was in prison. Later that month, SSA did an input on PUPS to suspend his benefits and sent him an advance notice. In April 2010, SSA suspended the individual's benefits. In May 2010, SSA obtained proof that the beneficiary was not in prison. Consequently, SSA resumed his benefits. However, the Agency did not pay him \$540 in monthly benefits it had erroneously suspended.
- In the remaining seven cases, SSA collected \$8,286 from the beneficiaries to recover the erroneous overpayments. In some of these cases, SSA could have removed the overpayments from the records before the collections took place. Furthermore, SSA returned all but \$3,540 to five of the seven beneficiaries. SSA paid \$3,277 of this money to four of the beneficiaries in August 2012 after it reviewed the cases based on our request. The remaining case was still under review. For example, in August 2005, SSA received a PUPS alert for an OASDI beneficiary from Louisiana. In November 2005, SSA did an input on PUPS to suspend his benefits and sent him an advance notice. When the advance notice period ended in December 2005, SSA suspended his benefits and assessed an overpayment on his record. Later, SSA obtained proof that the beneficiary was not in prison and resumed his benefits. However, SSA did not remove the overpayment from his record. As a result, SSA collected \$263 from the beneficiary to recover the erroneous overpayment.

## **SSA Did Not Always Follow Its Procedures for Processing PUPS Alerts**

For 40 of the 194 beneficiaries whom SSA incorrectly identified as prisoners, SSA did not follow its procedures for processing PUPS alerts. Had SSA followed these procedures, it likely would not have incorrectly identified these beneficiaries as prisoners. Most of these 40 beneficiaries received OASDI benefits.

- Of the 40 beneficiaries, 27 had multiple PUPS alerts. The initial alerts had remarks indicating that the beneficiaries were not the prisoners, but SSA did not use this information to process the subsequent alerts.

For example, on November 21, 2007, SSA received an alert that an OASDI beneficiary from California was in an Arizona prison. A week later, SSA did an input on PUPS to suspend his benefits and sent him an advance notice. When the advance notice period ended in December 2007, SSA suspended his benefits and assessed an overpayment on his record. About 2 weeks later, the beneficiary went to an SSA field office and signed a statement alleging he was not the prisoner, which SSA confirmed. At that time, SSA resumed his benefits, provided an explanation for the resumption in the remarks of the PUPS alert, and removed the overpayment from his record. In March 2008, SSA received another alert for this beneficiary stating he was in another prison in Arizona. Rather than use information from the first PUPS alert as proof the beneficiary was not the prisoner, SSA processed the second alert much like the first one and had the beneficiary sign another statement.

- The remaining 13 beneficiaries did not receive an advance notice or received it about the same time the suspensions took place. For example, on February 9, 2009, SSA received an alert that an OASDI beneficiary from California was in prison. On March 9, 2009, SSA did an input on PUPS to suspend the individual's benefits and sent him an advance notice. One day later, the benefits were suspended. However, they should have been suspended 30 days later. Soon after the suspension took place, the beneficiary received the advance notice, which prompted him to contact SSA and submit proof he was not the prisoner. Based on that proof, SSA suspected the prisoner had stolen the beneficiary's identity and resumed the beneficiary's benefits.

## **BENEFICIARIES ADVERSELY AFFECTED FOR OTHER REASONS**

In 97 of the 309 cases in our population, SSA generally did inputs on PUPS to suspend benefits and sent the beneficiaries advance notices. Most of these beneficiaries received OASDI benefits. Before the advance notice period ended, SSA generally received protests from the beneficiaries or someone on their behalf and obtained proof the beneficiaries were not in prison. As a result, SSA generally did other inputs on PUPS to resume the individuals' benefits. However, these inputs generally did not work. Consequently, SSA erroneously suspended their benefits and generally assessed overpayments on their records. On average, SSA erroneously suspended the benefits for less than 1 month (see Table 2).

<b>Table 2</b>	
<b>Number of Months SSA Erroneously Suspended Benefits</b>	<b>Number of Cases</b>
Less than 1 month	81
1 month	12
2 months	2
3 months	1
10 months	1
<b>Total</b>	<b>97</b>

In 15 of these cases, the beneficiaries were adversely affected in other ways.

- In three cases, SSA owed the beneficiaries \$1,162 for the monthly benefits it erroneously suspended. SSA paid this money to the beneficiaries in August 2012 after it reviewed the cases based on our request.
- In 12 cases, SSA collected \$7,729 to recover the erroneous overpayments. In some of these cases, SSA could have removed the overpayments from the records before the money was collected but did not. Furthermore, SSA returned all but \$2,477 to 7 of the 12 beneficiaries. SSA paid \$1,021 of this money to four of the beneficiaries in August 2012 after it reviewed the cases based on our request. The remaining three cases were still under review.

Many of the inputs to resume the benefits did not work because SSA did not do previous inputs to reflect the timely protests—which is required to ensure the system does not suspend the individuals' benefits while SSA is working on the protests. Other inputs did not work because of systems limitations. According to SSA, systems limitations exist under certain circumstances.

For example, SSA received a PUPS alert on June 17, 2002 for an OASDI beneficiary from South Carolina. On June 21, 2002, SSA did an input on PUPS to suspend his benefits and sent him an advance notice. On June 24, 2002, the beneficiary's mother protested the suspension. Later that day, SSA obtained proof that the beneficiary was not the prisoner and entered the resumption action into PUPS. However, the input did not work because SSA had not entered the protest action. As a result, PUPS suspended the individual's benefits and assessed an overpayment on his record for which SSA collected \$30. After SSA learned of its mistake, it resumed the individual's benefits through another system and repaid him the \$30 it erroneously collected from him.

## **CONCLUSION AND RECOMMENDATION**

We initiated this review because of a beneficiary's comments at a public hearing in March 2011. Based on our review, we found some beneficiaries had been adversely affected because SSA incorrectly identified them as prisoners.

Specifically, of 6.4 million people with PUPS records, we identified 291 (0.0046 percent) beneficiaries who were adversely affected. Of these 291 beneficiaries, SSA owed \$38,271 to 20 beneficiaries, and 3 beneficiaries owed SSA \$21,435. In August 2012, SSA paid \$36,012 to 15 of the 20 underpaid beneficiaries and assessed \$19,565 in overpayments for 2 of the 3 overpaid beneficiaries. The remaining six cases were still under review. These findings are very small given that SSA paid about \$770 billion to over 60 million beneficiaries in Fiscal Year 2011.

We recommend SSA finish working the remaining six cases.

## **AGENCY COMMENTS**

SSA agreed with the recommendation. See Appendix C.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

## Acronyms

EVS	Enumeration Verification System
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
PUPS	Prisoner Update Processing System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
U.S.C.	United States Code

# 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 our July 2003 report, *Follow-up on Prior Office of the Inspector General Prisoner Audits (A-01-02-12018)*.
- Obtained a file of 6.4 million people who had records on SSA's Prisoner Update Processing System (PUPS) as of May 2011. From this file, we identified records that had (1) the Erroneous Person indicator, (2) a status of reinstatement, and (3) the same confinement and release dates. Through this analysis, we identified 309 beneficiaries whom it appeared SSA incorrectly identified as prisoners.<sup>1</sup> For each case, we:
  - Reviewed the following SSA systems, as needed: PUPS records, Master Beneficiary Record, Supplemental Security Record, Modernized Supplemental Security Income Claims System, Non-Disability Repository, and Online Retrieval System.
  - Calculated the
    - (1) number of months the beneficiary went without benefits because SSA incorrectly processed the case and the amount of these benefits due him/her,
    - (2) amount of money collected from the beneficiary to recover the overpayment assessed because SSA incorrectly processed the case and the amount of this money due him/her, and
    - (3) amount SSA overpaid the beneficiary because it incorrectly determined the amount due him/her.

If we determined there was a payment issue, we sent the case to SSA for review and necessary action.

We conducted our audit between January and June 2012 in Boston, Massachusetts. The entities audited were SSA's field offices and program service centers under the Office of the Deputy Commissioner for Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>1</sup> These beneficiaries had confinement dates ranging from 1991 to 2011.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** September 4, 2012 **Refer To:** SIJ-3

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

**From:** Dean S. Landis /s/  
Deputy Chief of Staff

**Subject:** Office of the Inspector General Draft Report, "Beneficiaries Incorrectly Identified as Prisoners"  
(A-01-11-01120)—INFORMATION

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

Please let me know if we can be of further assistance. You may direct staff inquiries to Amy Thompson at (410) 966-0569.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“BENEFICIARIES INCORRECTLY IDENTIFIED AS PRISONERS” (A-01-11-01120)**

**Recommendation 1**

Pay the 19 beneficiaries in our population the \$10,905 owed to them.

**Response**

We agree.

**Recommendation 2**

Recover the \$20,876 from the four beneficiaries it overpaid.

**Response**

We agree.

[OIG Note: In August 2012, SSA took corrective action in all but five of the underpaid cases and one of the overpaid cases. Therefore, we updated the report accordingly.]

## OIG Contacts and Staff Acknowledgments

### *OIG Contacts*

Judith Oliveira, Director, Boston Audit Division

Phillip Hanvy, Audit Manager

### *Acknowledgments*

In addition to those named above:

Kevin Joyce, IT Specialist

Toni Paquette, Program Analyst

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-01-11-01120.

## **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, OCIG administers the Civil Monetary Penalty program.

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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.

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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.