



SOCIAL SECURITY
Office of the Inspector General

MEMORANDUM

Date: September 5, 2001

Refer To: 31249-23-209

To: Larry G. Massanari
Acting Commissioner
of Social Security

From: Inspector General

Subject: Deeming of Income to Establish Initial Eligibility for Supplemental Security Income Recipients (A-05-99-21005)

The attached final report presents the results of our audit. Our objective was to evaluate the adequacy of the Social Security Administration process for detecting deemable income of spouses and parents when establishing initial eligibility for Supplemental Security Income recipients.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**DEEMING OF INCOME TO
ESTABLISH INITIAL ELIGIBILITY
FOR SUPPLEMENTAL SECURITY
INCOME RECIPIENTS**

September 2001

A-05-99-21005

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.

Executive Summary

OBJECTIVE

The objective of the audit was to evaluate the adequacy of the Social Security Administration (SSA) process for detecting deemable income of spouses and parents when establishing initial eligibility for Supplemental Security Income (SSI) recipients.

BACKGROUND

The SSI program requires that the income of an applicant's ineligible parent(s) or spouse be included when determining eligibility and payment amount for SSI benefits. This process of considering another person's income to be available for meeting the SSI recipient's basic needs of food, clothing, and shelter is called deeming of income. SSI policy requires the claims representative (CR) to verify the alleged income of applicants and their deemors (ineligible spouses or parents). SSI policy also allows the CR to accept the assertions of applicants and deemors that they do not receive any other income unless expenses exceed reported income.

The Modernized SSI Claims System (MSSICS) is an automated system for gathering, recording and updating SSI claims information. Household composition information is used to determine living arrangement and deeming codes. Income and resource information for household members is used to determine the applicant's eligibility and monthly benefit amounts.

The Foster Care Independence Act (FCIA) of 1999 provides an administrative procedure for imposing penalties for false or misleading statements. FCIA provides a penalty of nonpayment of SSI benefits for individuals found to have made a statement for use in determining eligibility that the individual knew, or should have known, was false or misleading, or omitted a material fact. The period of nonpayment is 6 months for the first violation, 12 months for the second, and 24 months for the third violation.

RESULTS OF REVIEW

We estimated that \$5 million in SSI overpayments exist for 9,240 SSI recipients who had applied for benefits during the period July 1, 1997 through June 30, 1998 and whose Supplemental Security Record showed a deemor income alert on December 18, 1998. These overpayments resulted from unstated and/or understated deemable income from spouse to spouse and parent to child when applicants first started receiving benefits. These overpayments occurred because neither the applicant nor the deemor reported all deemable income to SSA during the initial review of income and SSA did not initially discover the misstatement of deemable income. SSA systems do not provide information on current employment status that would help detect deemable income when individuals apply for SSI benefits. SSA establishes a 14-month

estimate of the deemor's income based on alleged future income. If actual income is greater than alleged income, SSI recipients can be overpaid.

Our estimate of the \$5 million in SSI overpayments is based on a stratified statistical sample of 100 records randomly selected from the population of 9,240 records. An estimated 3,169 recipients (34 percent) in this population had overpayments. The statistical results are discussed in Appendix A of this report.

In addition to the overpayment matter discussed above, our audit also disclosed a potential SSA policy issue concerning the deeming of parental income for low-birth-weight infants. Current law prohibits the deeming of parental income while an infant is hospitalized and limits the monthly SSI benefit to \$30. As a result of SSA's current benefit computation procedures, parents' income usually does not affect SSI payments until the third month after the infants are released from the medical facilities. While these payments are in accordance with current SSA policy, this process allows high-income parents to receive SSI payments after the infant is released to the parents' care.

CONCLUSIONS AND RECOMMENDATIONS

SSA needs to improve its process for detecting deemable income before paying benefits to SSI applicants. A deemor or applicant may not inform SSA that the deemor is receiving earnings, resulting in possible overpayments not being detected until after the applicant starts receiving benefits. To reduce these overpayments, we recommend that SSA:

- Revise the "Important Information" section of the SSI application form to specifically mention the FCIA penalties for false or misleading statements along with the other existing criminal penalties and administrative and civil remedies.
- Require certain deemors with significant fluctuations in monthly income during the period for which wage verifications were obtained to submit pay stubs or other earnings documentation monthly to SSA for 6 months after the applicant begins receiving benefits.
- Modify the MSSICS software to interface online with the Office of Child Support Enforcement data base after the household composition and income information is entered into MSSICS to provide the CR with income and employment information about the applicant and any deemors in the household.
- Revise procedures for deeming of income to low-birth-weight infants so that a parent's income is considered for eligibility testing and payment computation starting in the month the child is released to the parent's household.

AGENCY COMMENTS

SSA generally disagreed with our recommendations. SSA, however, is considering a project planned for a modification of the MSSICS software that would address recommendation three. The Agency questioned the effectiveness of recommendation one regarding revising the “Important Information” section of the SSI application form to specifically mention the FCIA penalties. SSA disagreed with recommendation two regarding wage verification, citing as part of its objection the intensive workload involved in the recommendation’s implementation. SSA disagreed with recommendation four because of its concern that the recommendation would adversely impact the eligibility of low-birth-weight infants to Medicaid health-care coverage, as well as treat these infants inconsistently with other disabled children. The full text of SSA’s comments is included in Appendix 6.

OIG RESPONSE

We revised recommendations two and four based on SSA’s response to the draft report. We continue to believe that recommendation one, disclosing the FCIA penalties on the SSI application, would help deter claimants from making false or misleading statements on their SSI applications.

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Acronyms

| | |
|--------|---|
| CR | Claims Representative |
| FCIA | Foster Care Independence Act |
| FO | Field Office |
| MSSICS | Modernized Supplemental Security Income Claims System |
| OCSE | Office of Child Support Enforcement |
| PERC | Pre-Effectuation Review Contact |
| POMS | Program Operations Manual System |
| SEI | Self-Employment Income |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| SSR | Supplemental Security Record |

Introduction

OBJECTIVE

The objective of the audit was to evaluate the adequacy of the Social Security Administration (SSA) process for detecting deemable income of spouses and parents when establishing initial eligibility for Supplemental Security Income (SSI) recipients.

BACKGROUND

The SSI program requires that the income of an applicant's ineligible parent(s) or spouse be included when determining eligibility and payment amount for SSI benefits. This process of considering another person's income to be available for meeting the SSI recipient's basic needs of food, clothing, and shelter is called deeming of income.¹ There are four types of deeming relationships. They are parent to child, spouse to spouse, sponsor to alien and essential person to qualified individual.

Chapter SI 01320 (Deeming of Income) of SSA's Program Operations Manual System (POMS) provides comprehensive guidance and procedures for the deeming of income. POMS requires the claims representative (CR) to verify the alleged income of applicants and their deemors (ineligible spouses or parents). POMS allows the CR to accept the assertions of applicants and deemors that they do not receive any other income unless expenses exceed reported income.

The Foster Care Independence Act (FCIA) of 1999 provides an administrative procedure for imposing penalties for certain false or misleading statements. FCIA provides a penalty of nonpayment of SSI benefits for individuals found to have made a statement for use in determining eligibility that the individual knew, or should have known, was false or misleading, or omitted a material fact. The period of nonpayment is 6 months for the first violation, 12 months for the second, and 24 months for the third violation.

SCOPE AND METHODOLOGY

We limited our audit to spouse to spouse and parent to child deeming of income at the time of application for SSI benefits. We extracted 9,240 records from the Supplemental Security Record (SSR) that displayed an application date from July 1, 1997 to June 30, 1998 and indicated a deeming relationship at the time of application. The extracted records also showed a discrepancy between deemed income on the SSR and other SSA or non-SSA data bases.

¹ 20 C.F.R. §§ 416.1160 through 416.1182.

There were approximately 706,535 SSI awards issued during the period from July 1, 1997 to June 30, 1998. Approximately 126,000 awards were to children. Our extract included 5.4 percent or 6,850 of these records. The remaining 580,535 awards were to adults. Our extract included 0.4 percent or 2,390 of these records.

We separated this population into 2 strata containing 2,390 spouse to spouse deeming records and 6,850 parent to child deeming records. We then randomly selected a sample of 100 deeming records. (See Appendix A for Sampling Estimation and Methodology.)

To complete our audit, we:

- reviewed applicable POMS sections;
- interviewed SSA staff at the Great Lakes Program Service Center, SSA Headquarters, and three field offices located in Chicago and Joliet, Illinois;
- reviewed case folders and system queries to determine whether deemable income existed at the time of application and was detected and posted prior to placing the applicant into payment status; and
- requested additional documentation from FOs and third parties (e.g., employers) as necessary to complete our analysis.

We performed audit work in Chicago, Illinois; Joliet, Illinois; and Baltimore, Maryland. Our field work was conducted from February 1999 to June 2000. The entity audited was the Office of Program Benefits within the Office of the Deputy Commissioner for Disability and Income Security Programs. We conducted our audit in accordance with generally accepted government auditing standards. We did not rely solely on computer-processed data from the SSR to perform our analysis and determine the amount of overpayments. Instead, we examined original documentation from case folders and obtained third-party verification of income. We placed general reliance on the application control review of the SSI Record Maintenance System, which was conducted from July 1, 1999 to February 28, 2000. This review was conducted in compliance with the Federal Managers' Financial Integrity Act.

Results of Review

We estimated that \$5 million in SSI overpayments exist for the 9,240 SSI recipients in our statistical population. These overpayments resulted from unstated and/or understated deemable income from spouse to spouse and parent to child when applicants first started receiving benefits. These overpayments occurred because neither the applicant nor the deemor reported all deemable income to SSA during the initial review of income and SSA did not initially discover the misstatement of deemable income. SSA systems do not provide information on current employment status that would help detect deemable income when individuals apply for SSI benefits. SSA establishes a 14-month estimate of the deemor's income based on alleged future income. If actual income is greater than alleged income, SSI recipients can be overpaid.

Our estimate of overpayments is based on a stratified statistical sample of 100 records randomly selected from a population of 9,240 records. These were records of SSI recipients who had applied for benefits during the period July 1, 1997 through June 30, 1998 and whose SSR showed a deemor income alert on December 18, 1998. An estimated 3,169 recipients (34 percent) in this population had overpayments. The statistical results are discussed in Appendix A of this report.

In addition to the overpayment matter discussed above, our audit also disclosed a potential SSA policy issue concerning the deeming of parental income for low-birth-weight infants. Current law prohibits the deeming of parental income while an infant is hospitalized and limits the monthly SSI benefit to \$30.² As a result of SSA's current benefit computation procedures, parents' income usually does not affect SSI payments until the third month after the infants are released from the medical facilities. While these payments are in accordance with the current SSA policy, this process allows high-income parents to receive SSI payments after the infant is released to the parents' care.

UNSTATED AND UNDERSTATED DEEMOR INCOME

Our review of 100 sample cases disclosed that 43 cases had either unstated or understated deemed income when the applicant first started receiving benefits. Of these 43 cases, there were 33 cases involving overpayments resulting from deemor wages that were either unreported and/or underreported at the time of application. There were no overpayments related to the remaining 10 cases.

² Section 1611(e)(1)(B) of the Social Security Act, 42 U.S.C. § 1382 and 1614(f) of the Social Security Act, 42 U.S.C. § 1382(c).

The "Application for Supplemental Security Income" requires the applicant and deemor(s) to list all income earned at the time of filing and estimate any income they expect to earn in the next 14 months. Also, the applicant must report to SSA any changes in income within 10 days after the month it happens. We found cases where deemors reported that they did not expect any earnings in future months even though they had earnings in the period prior to the income review. In other cases, deemors understated their wages for eligibility factors for the month of review and/or future months. Understated deemor wages result from estimating future wages based on past wages and allegations of lower than actual future wages by applicants or deemors.

The deemor may fail to inform the CR of expected increases in future wages at the time of the Pre-Effectuation Review Contact (PERC) or other review of nonmedical eligibility factors. These expectations could be based on the deemor's knowledge of upcoming raises, cost of living adjustments, longevity increases, bonuses, overtime, and changes in pay scale or number of hours worked.

Example of Unstated Deemor Income

We reviewed a spouse to spouse deeming case where the ineligible spouse claimed that he expected to make \$2,750 of self-employment income (SEI) for the entire year in which his spouse applied for SSI. He claimed that he did not expect to earn any other income in the next 14 months. The CR accepted this allegation because the couple was living rent-free with a relative who also gave them money, and they were allegedly delinquent in making their utility payments.

The ineligible spouse did not inform the CR that he was employed at the time of the PERC. The CR processed the claim in accordance with the POMS, relying on the applicant and deemor's allegations that they did not and would not have any other income. POMS required the CR to allocate the SEI over 12 months rather than over the period during which it was earned.³ The monthly allocation of the deemor's alleged SEI and his relative's monetary gift were not sufficient to result in deeming of income. Accordingly, the CR put the applicant into payment status and did not set up an estimate of deemor wages for the next 14 months.

SSA generally relies on matching computerized data from other Federal and State agencies to verify that the information is correct. When these computer matches identify discrepancies between data reported by recipients and the data recorded by these agencies, alert notices are sent to FOs. These alerts require that the FOs determine if the discrepancies impact SSI benefits.

A wage alert was issued against the deemor husband over 10 months later. The alert was resolved 8 months after issuance when the FO posted verified wages for the month of the PERC and the next 16 months. During the 17 months following the PERC, the husband's actual monthly wage varied from \$680 to \$5,903. The average monthly wage for this period was \$3,380. These wages resulted in a series of overpayments

³ POMS Section SI 00820.210.B.1.

totaling \$5,916. SSA stopped paying benefits to this recipient. Although SSA has tried to collect the overpayment, its efforts have been unsuccessful.

Example of Understated Deemor Income

We reviewed a parent to child deeming case where the ineligible mother claimed that she expected to earn \$640 (4-week month) to \$800 (5-week month) monthly from her part-time employment. She did not tell the CR that her hours worked had nearly doubled in the month of the PERC and were expected to continue at that level.

The CR had verified that the mother's actual wages from the month of effective filing through the month prior to the month of recontact were only slightly higher than the alleged monthly wage, so the CR posted \$700 and \$800 wage estimates for the next 14 months based on the number of work weeks in each month.

SSA issued an alert involving the deemor mother 8 months later. SSA resolved the alert 8 months after issuance when the FO posted verified wages for the month of the PERC and the next 12 months. The deemor mother's monthly wages for this period ranged from \$1,150 to \$2,626. These wages resulted in a series of overpayments totaling \$3,859. SSA is in the process of recovering the overpayment through installments deducted from the recipient's monthly SSI payment.

SYSTEM INTERFACES

The Modernized SSI Claims System (MSSICS) is an automated system for gathering, recording and updating SSI claims information. Household composition information is used to determine living arrangement and deeming codes. Income and resource information for household members is used to determine the applicant's eligibility and monthly benefit amounts.

Office of Child Support Enforcement

The Office of Child Support Enforcement (OCSE) maintains earned income data that is updated on a quarterly basis.⁴ This data is more current than wage data on the SSA Master Earnings File, which has an approximate delay of 8 months in posting wage information. SSA has been performing quarterly matches between the SSR and the OCSE data base since September 1998. Beginning in January 2001, SSA FOs were given online query access to the OCSE data base.

SSA could modify the MSSICS software to interface online with the OCSE data base after the income and household composition input screens have been completed. The objective is to provide the CR with the most recent earnings reported for each deemor in the applicant's household and any new hire information.

⁴ Section 303(h)(1) of the Social Security Act, 42. U.S.C. § 503.

INCOME DEEMING FOR LOW-BIRTH-WEIGHT INFANTS

Nine of the 60 parent to child deeming cases we reviewed were infants who SSA determined to be disabled under the provisions for low-birth-weight infants. We noted that the income of parents is not deemed to these infants until the month after their discharge from medical facilities. If the nonmedical eligibility tests determine that the infant is eligible for any amount of SSI benefits (even less than one dollar), then SSA procedures require calculation of SSI payments based on countable income from 2 months prior to the computation month. Since no income is deemed during hospitalization or in the month of release from the hospital, the family will receive the maximum SSI payment for 2 months after the month of medical discharge regardless of the amount of the parental income.

This process was illustrated by one of the families included in our sample reviews. Parents of quadruplets received SSI payments totaling \$4,072 for the infants based on their low-birth-weights. At the time SSA deemed the parents' income to the infants, they became ineligible for payments. The reason was the parents' annual earned income exceeded \$100,000. Nonetheless, under current procedures, each of the four children received \$1,018 because each was entitled to payments of \$30 for the month of hospitalization plus \$494 for the month of discharge from the hospital and another \$494 for the following month.

The above illustration shows the impact of the current procedures used to deem income from parents to disabled children. Implementation of our recommendation to apply the deemed income effective with the month of discharge from the hospital would have limited this family to SSI payments totaling \$120 (or \$30 for each infant during the month of hospitalization).

Conclusions and Recommendations

SSA needs to improve its process for detecting deemable income before paying benefits to SSI applicants. A deemor or applicant may not inform SSA that the deemor is receiving earnings, resulting in possible overpayments not being detected until after the applicant starts receiving benefits. To reduce these overpayments, we recommend that SSA:

1. Revise the "Important Information" section of the SSI application form to specifically mention the FCIA penalties for false or misleading statements along with the existing criminal penalties and other administrative and civil remedies.
2. Require certain deemors with significant fluctuations in monthly income during the period for which wage verifications were obtained to submit pay stubs or other earnings documentation monthly to SSA for 6 months after the applicant begins receiving benefits.
3. Modify the MSSICS software to interface online with the OCSE data base after the household composition and income information is entered into MSSICS to provide the CR with income and employment information about the applicant and any deemors in the household.
4. Revise procedures for deeming of income to low-birth-weight infants so that a parent's income is considered for eligibility testing and payment computation starting in the month the child is released to the parent's household.

AGENCY COMMENTS

SSA generally disagreed with our recommendations. The Agency stated that adding the FCIA sanctions to the SSI applications would not be an enhancement because recipients usually are not sanctioned for false or misleading statements made by deemors. Regarding the second recommendation, SSA stated that processing monthly pay stubs for all deemor (as recommended in our draft report) would be very labor-intensive. SSA responded to the third recommendation by stating that a MSSICS modification is an unscheduled item in the SSI 5-year plan. Finally, with regards to the last recommendation, SSA cited the need to protect Medicaid eligibility for low-birth-weight infants. The Agency also noted that the recommendation made in our draft report would treat these infants differently under SSI than other hospitalized disabled children who receive SSI payments. The full text of SSA's comments is included in Appendix B.

OIG RESPONSE

We believe that including the FCIA sanctions on the SSI application would help deter applicants from deliberately understating their deemable income at the time they apply for SSI payments. We revised our second recommendation to reduce the burden of obtaining wage records by deleting the requirements to obtain records from employers and from all applicants. We believe that SSA should reconsider the revised recommendation to obtain wage records from individuals with significantly fluctuating monthly income. We also revised the fourth recommendation to acknowledge the current law that provides a minimal institutional allowance (\$30 monthly) under SSI for hospitalized children and not consider parents' income deemable to the children. This provision provides such children with Medicaid health-care coverage during their hospitalization. The revised recommendation would require that deemable parent income be considered in the month disabled children receiving SSI payments are released from medical facilities to their parents' care.

Appendices

Sampling Estimation and Methodology

We obtained a data extract from the Supplemental Security Record (SSR) of all records where the recipient applied for Supplemental Security Income (SSI) benefits between July 1, 1997 and June 30, 1998. The records indicated a spouse to spouse or parent to child deeming relationship existed at the time of application for SSI assistance. The records also showed a deemor income alert on December 18, 1998.

An income alert is only displayed on the SSR until it is resolved. Consequently, our sample universe does not contain all records where an overpayment could have occurred because the deemable income of a spouse or parent(s) went undetected when establishing initial eligibility for SSI applicants during this 1-year period.

We separated the 9,240 records from our extract into 2 strata. The first stratum consisted of spouse to spouse deeming records. The second stratum consisted of parent to child deeming records. We initially selected random samples of 100 and 300 records from the 2 respective strata, roughly proportional to the strata sizes of 2,239 and 6,850 records. We found 40 auditable records from 65 sampled records in the first stratum. We were unable to audit the remaining 25 sample cases because either the case folders were not received or there was insufficient documentation for us to reach a conclusion. We then reviewed 96 sample items from stratum 2 to identify 60 auditable records.

At that point, we stopped sampling because we had achieved a minimum acceptable sample size of 100 records and identified a sufficient number of discrepancies to make a reasonably reliable projection of estimated overpayments related to the errors. The decision was based on the need to conserve audit resources and recognition that the projected results were sufficiently reliable as an estimation of overpayments related to these errors.

We determined whether the deemable income was detected and posted to the SSR before the applicant started receiving benefits. An error existed if any deemable income was unstated or understated when the applicant was placed into payment status. If the unstated or understated deemable income would have reduced the payment amount, we computed the overpayment that resulted from the additional deemable income. The results of our sample are presented in the following table.

Table 1 - Sample Results

| Strata Description | Strata Size | Sample Size | Errors | Overpayments | |
|--------------------------|--------------|-------------|-----------|--------------|-----------------|
| | | | | Number | Amount |
| Spouse to Spouse Deeming | 2,390 | 40 | 15 | 11 | \$11,947 |
| Parent to Child Deeming | 6,850 | 60 | 28 | 22 | \$37,597 |
| Total | 9,240 | 100 | 43 | 33 | \$49,544 |

The following table presents the statistical projections of our sample results to the sample universe of 9,240 records. This is a conservative estimate to the extent that the expected errors from records we were unable to review due to missing documentation may be at least as or more significant than the errors we identified from records that were adequately documented. The point estimates, lower limits, and upper limits are presented at the 90-percent confidence level.

Table 2 - Projections of Sample Results to the Universe

| Description | Number of Errors | Number of Overpayments | Amount of Overpayments |
|----------------------------------|------------------|------------------------|------------------------|
| Point Estimate - Stratum 1 | 896 | 657 | \$713,844 |
| Point Estimate - Stratum 2 | 3,197 | 2,512 | \$4,292,357 |
| Point Estimate - Universe | 4,093 | 3,169 | \$5,006,201 |
| Lower Limit - Universe | 3,304 | 2,412 | \$3,050,056 |
| Upper Limit - Universe | 4,882 | 3,926 | \$6,962,347 |

Agency Comments



SOCIAL SECURITY

MEMORANDUM

June 14, 2001

Refer To: SJ1-3

To: James G. Huse, Jr.
Inspector General

Larry G. Massanari
Acting Commissioner of Social Security

Subject: Office of the Inspector General (OIG) Draft Report, "Deeming of Income to Establish Initial Eligibility for Supplemental Security Income Recipients" (A-05-09-21005)—INFORMATION

Our comments to the subject report are attached. Staff questions may be directed to Odessa J. Woods at extension 50378.

Attachment:
SSA Response

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "DEEMING OF INCOME TO ESTABLISH INITIAL ELIGIBILITY FOR SUPPLEMENTAL SECURITY INCOME RECIPIENTS" (A-05-99-21005)

Thank you for the opportunity to review the subject draft report. We offer the following comments.

Recommendation 1

Revise the "Important Information" section of the Supplemental Security Income (SSI) application form to specifically mention the new FCIA [Foster Care Independence Act] penalties for false or misleading statements with the existing criminal penalties and other administrative and civil remedies.

SSA Comment

We disagree. The administrative sanctions, which consist of nonpayment of title II and SSI benefits, apply only when a person would otherwise be entitled to title II or eligible for SSI benefits. We do not sanction representative payees or deemors. Additionally, we do not sanction the recipient when someone else (e.g., a representative payee or a deemor) makes a false or misleading statement—unless the recipient caused the other person to make that statement (SI 02604.405). Therefore, we do not believe that specifically mentioning the new FCIA sanctions on the SSI application would enhance the effect of the existing language on penalties.

Recommendation 2

Require deemors or their employers to submit pay stubs or other earnings documentation monthly to SSA for 6 months after the applicant begins receiving benefits (in accordance with POMS Section SI 00820.141).

SSA Comment

We disagree. POMS Section SI 00820.141 discusses an alternative wage verification method that some field offices have put in place with local employers, usually sheltered workshops, to report earnings for SSI recipients on a periodic basis. However, SSA has no authority to require employers to report wages monthly, and it is not feasible to require all employers to do so. Many large national companies have now contracted out their payroll operations and no longer provide any wage verification. Also, periodic reporting of wages is a very labor-intensive workload. Although some field offices have local arrangements in place, other offices have staffing or workload concerns that prevent them from being able to process pay stubs for all deemors on a monthly basis (even for just the first 6-month period).

Recommendation 3

Modify the MSSICS software to interface online with the OCSE database after the household composition and income is entered into MSSICS to provide the CR with income and employment information about the applicant and any deemors in the household.

SSA Comment

A project to place the OCSE query in the MSSICS path, is included as an unscheduled item in the Agency's SSI 5-year plan. Once we have defined the scope of the project and the user's needs, which are currently being drafted, we will be able to compare the activity with others competing with it for resources and better able to determine a possible implementation schedule.

Recommendation 4

Revise procedures for deeming of income to presumptively disabled low-birth-weight infants so that a parent's income is considered for eligibility in the month of application for SSI benefits.

SSA Comment

We disagree. We believe that the recommendation would require a legislative change rather than a procedural change as suggested in the draft report.

Section 1614(f) of the Social Security Act provides for deeming of income and resources when a child is living in the same household as his or her parents. Under current rules, hospitalized children are not considered to be living with their parents. Prior to 1996, hospitalized disabled children generally could be eligible for the full SSI benefit standard if Medicaid were not paying for at least 50 percent of the child's care. Concerned that some children were receiving full SSI benefits while their parents were able to afford their hospitalization, Congress considered a number of options including the extension of deeming to hospitalized children. In 1996, Congress enacted a provision addressing the issue. The provision reduces the SSI benefit to \$30 for hospitalized children whether Medicaid or private insurance is paying for the child's care. The draft report should be clarified to fully explain on what basis the children were paid.

Our primary concern regarding deeming a parent's income and resources to a hospitalized child is the potential effect that deeming would have on the child's Medicaid eligibility. In many States, SSI eligibility provides Medicaid eligibility. Without the guarantee of health-care coverage, low-birth-weight children might not receive the intensive, early care they need and may continue to have impairments for life. Further, implementation of this recommendation would result in policy that would treat low-birth-weight children less favorably than other hospitalized disabled children.

Also, the report does not provide any clear indication that the overpayment amounts derive from the \$30 payments made to low birth weight infants while they remain hospitalized. Rather, the report suggests that the more significant problem stems from payment adjustments that are effective after the child is released from the hospital.

OIG Contacts and Staff Acknowledgements

OIG Contacts

William Fernandez, Director, Program Benefits Audit Division, (510) 970-1739

Barry Shulman, Deputy Director, (312) 353-0331

Acknowledgements

In addition to those named above:

Robert Lenz, Senior Auditor

Elizabeth Juarez, Auditor

Sherman Doss, Auditor

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| Director, Disability Program Audit Division | 1 |
| Director, Program Benefits Audit Division | 1 |
| Director, General Management Audit Division | 1 |
| Issue Area Team Leaders | 25 |
| Income Maintenance Branch, Office of Management and Budget | 1 |
| Chairman, Committee on Ways and Means | 1 |
| Ranking Minority Member, Committee on Ways and Means | 1 |
| Chief of Staff, Committee on Ways and Means | 1 |
| Chairman, Subcommittee on Social Security | 2 |
| Ranking Minority Member, Subcommittee on Social Security | 1 |
| Majority Staff Director, Subcommittee on Social Security | 2 |
| Minority Staff Director, Subcommittee on Social Security | 2 |
| Chairman, Subcommittee on Human Resources | 1 |
| Ranking Minority Member, Subcommittee on Human Resources | 1 |
| Chairman, Committee on Budget, House of Representatives | 1 |
| Ranking Minority Member, Committee on Budget, House of Representatives | 1 |
| Chairman, Committee on Government Reform and Oversight | 1 |
| Ranking Minority Member, Committee on Government Reform and Oversight | 1 |
| Chairman, Committee on Governmental Affairs | 1 |
| Ranking Minority Member, Committee on Governmental Affairs | 1 |

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| Chairman, Committee on Appropriations, House of Representatives | 1 |
| Ranking Minority Member, Committee on Appropriations, House of Representatives | 1 |
| Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives | 1 |
| Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives | 1 |
| Chairman, Committee on Appropriations, U.S. Senate | 1 |
| Ranking Minority Member, Committee on Appropriations, U.S. Senate | 1 |
| Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate | 1 |
| Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate | 1 |
| Chairman, Committee on Finance | 1 |
| Ranking Minority Member, Committee on Finance | 1 |
| Chairman, Subcommittee on Social Security and Family Policy | 1 |
| Ranking Minority Member, Subcommittee on Social Security and Family Policy | 1 |
| Chairman, Senate Special Committee on Aging | 1 |
| Ranking Minority Member, Senate Special Committee on Aging | 1 |
| Vice Chairman, Subcommittee on Government Management Information and Technology | 1 |
| President, National Council of Social Security Management Associations, Incorporated | 1 |
| Treasurer, National Council of Social Security Management Associations, Incorporated | 1 |
| Social Security Advisory Board | 1 |
| AFGE General Committee | 9 |
| President, Federal Managers Association | 1 |
| Regional Public Affairs Officer | 1 |
| Total | 97 |

Overview of the Office of the Inspector General

Office of Audit

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.

Office of Executive Operations

OEO supports the 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.