



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Benefits Payable to Child
Beneficiaries Whose Benefits Were
Withheld Pending the Selection of a
Representative Payee

A-09-16-50088 | September 2016

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: September 23, 2016

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Benefits Payable to Child Beneficiaries Whose Benefits Were Withheld Pending the Selection of a Representative Payee (A-09-16-50088)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration had adequate controls to ensure it paid child beneficiaries' withheld benefits pending the selection of a representative payee.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.


Gale Stallworth Stone

Attachment

Benefits Payable to Child Beneficiaries Whose Benefits Were Withheld Pending the Selection of a Representative Payee

A-09-16-50088



September 2016

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it paid child beneficiaries' withheld benefits pending the selection of a representative payee.

Background

SSA appoints representative payees to receive and manage the payments of those beneficiaries who cannot manage or direct the management of their benefits because of their youth or mental and/or physical impairments.

When circumstances change or suggest a representative payee may no longer be suitable, SSA may suspend benefits and initiate a search for a new representative payee. Under certain circumstances, SSA can make direct payments to child beneficiaries age 15 to 17. When a child beneficiary attains age 18, they are presumed to be legally competent adults who no longer require representative payees, unless direct payment is prohibited for other reasons.

We identified 12,027 child beneficiaries whose benefits SSA had withheld pending the selection of a representative payee.

Findings

We continue to find that SSA needs to improve controls to ensure it pays child beneficiaries' withheld benefits pending the selection of a representative payee. Based on our random sample, we estimate that SSA did not pay 6,615 beneficiaries approximately \$9.2 million in withheld benefits.

Finally, we estimate that SSA only paid 2,423 of the 13,464 beneficiaries we identified during our 2010 audit. This occurred, in part, because SSA did not send letters to 4,233 beneficiaries and pay 214 beneficiaries who were in current pay on another record.

Recommendations

We recommend that SSA:

1. Take appropriate action to resolve the benefits withheld from the 55 beneficiaries identified by our current audit.
2. Evaluate the results of its actions for the 55 beneficiaries and determine whether it should review the remaining 11,927 beneficiaries identified by our current audit.
3. Conduct analysis to determine which of the 4,233 beneficiaries identified by our prior audit need to receive an underpayment notification.
4. Pay the 214 beneficiaries in current pay on another record as identified by our prior audit.
5. Implement controls to ensure it pays withheld benefits to child beneficiaries.

SSA agreed with our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
Child Beneficiaries Entitled to Benefits	3
Child Beneficiaries No Longer Entitled to Benefits	3
SSA Actions in Response to Our Prior Audit	4
Conclusions	5
Recommendations	6
Agency Comments	6
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments	C-1

ABBREVIATIONS

IRS	Internal Revenue Service
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SPA	Special Payment Amount
SSA	Social Security Administration
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it paid child beneficiaries' withheld benefits pending the selection of a representative payee.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program to provide monthly benefits to retired and disabled workers, including their dependents and survivors.¹ Children of retired or disabled workers may receive benefits if they are a dependent, unmarried, and under age 18.² After age 18, children may continue receiving benefits until age 19 if they attend an elementary or secondary school full-time.³ Children age 18 and older are also entitled to benefits if they have a disability that began before they reached age 22.⁴

SSA appoints representative payees to receive and manage the payments of those beneficiaries who cannot manage or direct the management of their own benefits because of their youth or mental and/or physical impairments.⁵ When circumstances change or suggest a representative payee may no longer be suitable, SSA may suspend benefits and initiate a search for a new representative payee. Under certain circumstances, SSA can make direct payments to child beneficiaries age 15 to 17;⁶ however, it cannot make direct payments to child beneficiaries under age 15 unless they have been legally emancipated.⁷ When a child beneficiary attains age 18, they are presumed to be legally competent adults who no longer require representative payees, unless direct payment is prohibited for other reasons.⁸

SSA generates systems alerts each month for beneficiaries it suspended pending the selection of a representative payee.⁹ When SSA generates these alerts and it has not selected a representative payee, SSA employees should initiate direct payment¹⁰ unless a beneficiary is legally

¹ The *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² SSA, POMS, RS 00203.001 A.1 (September 9, 2011).

³ SSA, POMS, RS 00203.001 A.1.d (September 9, 2011) and RS 00205.001 A (March 26, 2002).

⁴ SSA, POMS, DI 10115.001 B, C (September 9, 2014) and DI 25501.330 A.4 (July 6, 2015).

⁵ SSA, POMS, GN 00502.001 (March 16, 2011).

⁶ SSA, POMS, GN 00502.070 A.1 (April 15, 2016).

⁷ SSA, POMS, GN 00502.001 B.1 (March 16, 2011), GN 00502.010 (February 25, 2003), and GN 00502.070 (April 15, 2016).

⁸ SSA, POMS, GN 00502.010 (February 25, 2003).

⁹ SSA, POMS, GN 00504.150 B (February 28, 2011).

¹⁰ SSA, POMS, GN 00504.150 C (February 28, 2011).

incompetent, is under age 15 and not legally emancipated, or has a drug addiction or alcohol condition.¹¹

In a 2010 audit,¹² we found that SSA needed to improve controls to ensure it paid previously withheld benefits pending the selection of a representative payee to child beneficiaries who attained age 18. Specifically, we found that SSA did not pay an estimated 13,464 beneficiaries approximately \$31.2 million in withheld benefits. SSA agreed with our recommendations for corrective actions stating it would (1) review and take correction action on the population of cases we identified, (2) issue policy reminders and instruct employees to take appropriate actions in future cases, and (3) remind employees to pay previously withheld benefits to beneficiaries when awarding student benefits.

For our current audit, we identified 12,027 child beneficiaries whose benefits SSA had withheld pending the selection of a representative payee. This represented a new population of beneficiaries since our prior audit. From this population, we selected a random sample of 100 beneficiaries for review (see Appendix A).

RESULTS OF REVIEW

We continue to find that SSA needs to improve controls to ensure that it pays child beneficiaries' withheld benefits pending the selection of a representative payee. Based on our random sample, we estimate that SSA did not pay 6,615 beneficiaries approximately \$9.2 million in withheld benefits (see Appendix B).

For the 100 beneficiaries in our sample, SSA did not pay 55 (55 percent) whose benefits it withheld pending the selection of a representative payee. SSA should have paid these beneficiaries when they attained age 18 or it selected a representative payee to manage their benefits. This included

- 26 beneficiaries who were entitled to benefits and
- 29 beneficiaries who were no longer entitled to benefits.

This occurred because (1) SSA did not generate a systems alert to identify beneficiaries in current or terminated pay who should be paid withheld benefits and (2) employees did not pay withheld benefits when they selected a representative payee or made direct payments to child beneficiaries over age 18.

¹¹ SSA, POMS, GN 00504.105 A.2 (April 15, 2016) and GN 00502.010 (February 25, 2003).

¹² SSA OIG, *Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees* (A-09-09-29116), August 20, 2010.

Finally, we estimate that SSA only paid 18 percent of the 13,464 beneficiaries we identified during our 2010 audit. This occurred, in part, because SSA did not send letters to 4,233 beneficiaries and pay 214 beneficiaries who were in current pay on another record.

Child Beneficiaries Entitled to Benefits

Under certain circumstances, SSA may suspend benefits pending the selection of a representative payee if there is a problem with the current representative payee, a new representative payee is not available, and direct payments to the beneficiary is prohibited.¹³ If SSA determines a beneficiary does not need a representative payee, it must pay the current and withheld benefits directly to the beneficiary. If SSA determines it should not make direct payments to a beneficiary and selects a representative payee, it must pay the current and withheld benefits to the representative payee.¹⁴

We found that 26 of the 100 child beneficiaries in our sample were entitled to benefits at the time of our review: 14 received benefits directly, and 12 received benefits through a representative payee. The 26 comprised 12 who were entitled to disability benefits based on their own earnings, 8 who were entitled to disabled adult child benefits, 3 who were entitled to children's benefits, 2 who were entitled to retirement benefits, and 1 who was entitled to surviving spouse's benefits. SSA had suspended their benefits pending the selection of a representative payee; however, it did not pay the \$36,458 in withheld benefits when it resumed their benefits or when they became entitled to benefits on another record.

For example, in March 2014, SSA suspended a child's benefits pending the selection of a representative payee. In October 2014, SSA selected a representative payee for the child and paid current benefits. However, SSA did not pay \$3,416 in previously withheld benefits.

Child Beneficiaries No Longer Entitled to Benefits

If a beneficiary is no longer entitled to benefits, SSA must pay the withheld benefits to the representative payee if a beneficiary is incompetent or a minor. Otherwise, SSA should pay the underpayment directly to the beneficiary.¹⁵

We found that 29 of the 100 child beneficiaries in our sample were no longer entitled to benefits. In general, SSA had suspended their benefits pending the selection of a representative payee before they attained age 18. This included instances where SSA

- selected a representative payee before the child beneficiaries attained age 18 and paid current benefits but did not pay the previously withheld benefits and

¹³ SSA, POMS, GN 00504.105 (April 15, 2016) and GN 00504.110 A (April 15, 2016).

¹⁴ SSA, POMS, GN 00603.070 B (June 4, 2007).

¹⁵ SSA, POMS, GN 02301.020 (August 15, 2012).

- did not select a representative payee before the child beneficiaries attained age 18 and did not pay the previously withheld benefits.

All of these beneficiaries were older than age 18 and presumed to be legally competent adults who no longer required a representative payee; however, SSA did not pay \$40,049 in withheld benefits.

For example, in September 2011, SSA suspended a child's benefits pending the selection of a representative payee. SSA did not select a representative payee before the child attained age 18 and, in January 2012, terminated the child's benefits when he attained age 18. Although the beneficiary was over age 18 and presumed capable, SSA did not pay the \$4,020 in previously withheld benefits.

SSA Actions in Response to Our Prior Audit

Payments to Beneficiaries Identified in Prior Audit – Our 2010 audit¹⁶ found that SSA needed to improve controls to ensure it paid previously withheld benefits pending the selection of a representative payee to child beneficiaries who attained age 18. Specifically, we found that SSA did not pay an estimated 13,464 beneficiaries approximately \$31.2 million in withheld benefits. Our prior audit included several recommendations for corrective action. SSA agreed with our recommendations and took the following actions for 13,739 beneficiaries whose benefits it had withheld pending the selection of a representative payee. SSA

- reviewed the beneficiaries' payment records and established underpayments for the withheld benefits,
- obtained addresses for 9,506 (69.2 percent) of the 13,739 beneficiaries from recent *Wage and Tax Statements* (Form W-2) and *Self-Employment Tax returns* (Form 1040),
- sent letters to the 9,506 beneficiaries asking that they visit their local field office to discuss potential benefits that may be due, and
- paid the previously withheld benefits for any beneficiaries who responded to the letters and visited an SSA field office to inquire about the underpayment.

SSA took no actions to notify the remaining 4,233 beneficiaries of the underpayments or pay the withheld benefits.

We also reviewed a random sample of 50 of 13,739 beneficiaries to determine whether SSA had taken corrective action. We found that SSA sent letters to 32 beneficiaries but did not send letters to the remaining 18. In total, SSA only paid 9 (18 percent) of the 50 beneficiaries.

¹⁶ SSA OIG, *Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees* (A-09-09-29116), August 20, 2010.

SSA's actions to pay the withheld benefits differed from its underpayment policy, which requires that it add underpayments to any amount payable for currently entitled beneficiaries. If a beneficiary is no longer entitled to benefits but has a representative payee, SSA policy requires that it send the underpayment to the representative payee's address on the beneficiary's behalf. However, if the beneficiary is an adult and competent, SSA should send the payment to the beneficiary at the representative payee's address. In addition, if a beneficiary's payments have been in suspense, SSA employees must develop for a current address and verify the individual's identity before paying the underpayment.¹⁷

Finally, SSA did not pay 214 of the underpaid beneficiaries who were in current pay on another record.

Controls to Ensure SSA Pays Withheld Benefits – Our 2010 audit found that SSA did not pay withheld benefits, in part, because it did not generate a systems alert to identify and pay child beneficiaries' withheld benefits when they attained age 18. Therefore, we recommended that SSA improve controls to ensure it paid any benefits it withheld pending the selection of a representative payee. SSA agreed with this recommendation and stated it had an automated system in place to identify these cases and would issue a policy reminder to instruct its employees to take appropriate actions in future cases of this type.

Our current audit found that SSA did not generate systems alerts for currently entitled or terminated beneficiaries whose benefits it had withheld pending the selection of a representative payee. SSA's automated system only generates alerts when it has suspended payments to a beneficiary pending the selection of a representative payee. However, after it places a beneficiary in current pay or terminates benefits, there is no automated control to ensure it pays the withheld benefits to either the beneficiary or a representative payee.

CONCLUSIONS

We continue to find that SSA needs to improve controls to ensure it pays child beneficiaries' withheld benefits pending the selection of a representative payee. Based on our random sample, we estimate that SSA did not pay 6,615 beneficiaries approximately \$9.2 million in withheld benefits (see Appendix B).

This occurred because (1) SSA did not generate a systems alert to identify beneficiaries in current or terminated pay who should be paid withheld benefits and (2) employees did not pay withheld benefits when they selected a representative payee or made direct payments to child beneficiaries over age 18.

Finally, we estimate that SSA only paid 2,423 of the 13,464 beneficiaries we identified during our 2010 audit. This occurred, in part, because SSA did not send letters to 4,233 beneficiaries and pay 214 beneficiaries who were in current pay on another record.

¹⁷ SSA, POMS, GN 02301.020 (August 15, 2012).

RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action to resolve the benefits withheld from the 55 beneficiaries identified by our current audit.
2. Evaluate the results of its actions for the 55 beneficiaries and determine whether it should review the remaining 11,927 beneficiaries identified by our current audit.
3. Conduct analysis to determine which of the 4,233 beneficiaries identified by our prior audit need to receive an underpayment notification.
4. Pay the 214 beneficiaries in current pay on another record as identified by our prior audit.
5. Implement controls to ensure it pays withheld benefits to child beneficiaries.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

We obtained a data extract from the Social Security Administration’s (SSA) Master Beneficiary Record (MBR). From this extract, we identified a population of 12,027 child beneficiaries whose MBR contained a history of suspense for the development of a representative payee as of May 2015. When SSA selected a representative payee or these child beneficiaries attained age 18, SSA was required to pay their previously withheld benefits.

To accomplish our objective, we

- reviewed applicable Federal laws and regulations as well as SSA’s Program Operations Manual System and other policy memorandums;
- interviewed SSA employees from the Office of Operations;
- reviewed a random sample of (1) 100 child beneficiaries whose benefits SSA had withheld pending the selection of a representative payee from the current audit population and (2) 50 child beneficiaries whose benefits SSA had withheld pending the selection of a representative payee from the prior audit population;
- reviewed queries from SSA’s MBR and Payment History Update System for each beneficiary in our sample; and
- determined whether SSA had paid the children the benefits that it had withheld.

We determined the computer-processed data from the MBR were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

We evaluated the adequacy of SSA’s controls to ensure child beneficiaries were paid benefits that had been previously withheld pending the selection of a representative payee. The amounts reported represent the total benefit payments withheld from the child beneficiaries after SSA suspended their benefits for representative payee development.

We conducted our audit in Richmond, California, and Baltimore, Maryland, between December 2015 and April 2016. The entities reviewed were the Offices of the Deputy Commissioners for Operations and Systems.

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

Appendix B – SAMPLING METHODOLOGY AND RESULTS

From the Social Security Administration’s (SSA) Master Beneficiary Record (MBR), we identified 12,027 child beneficiaries whose MBR contained a history of suspense for the development of a representative payee as of May 2015. We randomly selected a sample of 100 beneficiaries and reviewed their payment records to determine whether SSA paid the children the benefits it had withheld. If SSA had not paid the withheld benefits, we calculated the number of months of suspended benefits and the amount of benefits payable.

Of the 100 child beneficiaries in our sample, we found that SSA did not pay 55 beneficiaries \$76,507 in benefits that it had withheld. Projecting these results to our population of 12,027 beneficiaries, we estimate SSA had not taken corrective action to pay approximately \$9.2 million in withheld benefits to an estimated 6,615 child beneficiaries.

The following tables provide the details of our sample results and statistical projections.

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	12,027
Sample Size	100

Table B–2: Statistical Projections

Description	Number of Beneficiaries	Withheld Benefits
Sample Results	55	\$76,507
Point Estimate	6,615	\$9,201,497
Lower Limit	5,572	\$5,227,294
Upper Limit	7,631	\$13,175,700

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: August 31, 2016 **Refer To:** S1J-3

To: Gale S. Stone
Acting Inspector General

From: Frank Cristaudo /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, “Benefits Payable to Child Beneficiaries Whose Benefits Were Withheld Pending Selection of a Representative Payee” (A-09-16-50088)--
INFORMATION

Thank you for the opportunity to review the draft report. We take our responsibility very seriously to select the best representative payee and are committed to improving our controls to ensure we timely select a representative payee to allow for payment of withheld benefits. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“BENEFITS PAYABLE TO CHILD BENEFICIARIES WHOSE BENEFITS WERE
WITHHELD PENDING THE SELECTION OF A REPRESENTATIVE PAYEE”
(A-09-16-50088)**

GENERAL COMMENTS

We take our responsibility very seriously to select the most qualified representative payee for our beneficiaries. We are committed to improving our controls to ensure the timely selection of a representative payee and to allow for the prompt payment of withheld benefits. There are more than eight million people receiving monthly Social Security or Supplemental Security Income (SSI) benefits, who also need help in managing their benefits. We thoroughly investigate those who apply to be a representative payee. When we suspend a beneficiary’s payment, pending payee development, we make every effort for a resolution and issue any existing and appropriate underpayments as quickly as possible.

For this review, the 12,027 child beneficiaries OIG identified, whose benefits were suspended pending the selection of a representative payee, represented under 1 percent of the approximately 1.3 million child beneficiaries below the age of 18.

Recommendation 1

Take appropriate action to resolve the benefits withheld from the 55 beneficiaries identified by our current audit.

Response

We agree. We will review and take the appropriate actions on the 55 cases.

Recommendation 2

Evaluate the results of its actions for the 55 beneficiaries and determine whether it should review the remaining 11,927 beneficiaries identified by our current audit.

Response

We agree. Upon completion of our actions from the cases in recommendation 1, we will evaluate our results and make a determination as to whether we will develop an action plan for the remaining population.

Recommendation 3

Conduct analysis to determine which of the 4,233 beneficiaries identified by our prior audit need to receive an underpayment notification.

Response

We agree. We will take action to re-evaluate the 4,233 cases to determine if we need to send an underpayment notification to the beneficiary.

Recommendation 4

Pay the 214 beneficiaries in current pay on another record as identified by our prior audit.

Response

We agree. We will take the necessary actions on the 214 cases.

Recommendation 5

Implement controls to ensure it pays withheld benefits to child beneficiaries.

Response

We agree. We will evaluate and determine the feasibility of implementing additional controls for paying withheld benefits to child beneficiaries.

MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

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