

The Cost of Administering Claimant Representative Fees

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Office of Audit Report Summary

Objectives

To determine whether the Social Security Administration (SSA) (1) assessed correct user fees in accordance with law and (2) recovered its administrative costs when processing these fees.

Background

Individuals filing a disability claim for Old-Age, Survivors and Disability Insurance benefits and Supplemental Security Income may appoint a qualified individual to act on their behalf before SSA. When a claimant's appointed representative is eligible for direct payment and requests SSA to pay his/her authorized fee directly from a beneficiary's past-due benefits, SSA is responsible for authorizing and processing the direct payment to the appointed representative. To recover its administrative costs in processing these direct fee payments, SSA charges an assessment fee (user fee) in accordance with law.

In Fiscal Years (FY) 2015 and 2016, SSA issued approximately 1.1 million claimant representatives' direct-fee payments totaling approximately \$2.6 billion. We identified 39,024 beneficiary claims where SSA may have collected an incorrect user fee. From this, we selected a random sample of 50 beneficiary claims for review.

Findings

SSA technicians applied an incorrect user fee for 26 (52 percent) of our 50 sampled beneficiary claims. Generally, this occurred because technicians' authorization of claimant representative fee payments involved manual, complex, and error-prone postings to the electronic records. We estimated SSA incorrectly applied user fees for 20,292 beneficiary claims, which resulted in SSA over-assessing \$338,916 and under-assessing \$603,133 to claimant representatives. However, because of its policy, SSA will only attempt to reimburse the over-assessed fees.

The method SSA used to process claimant representative fees did not fully recover its administrative costs. For FYs 2011 through 2016, SSA recovered, on average, 22 percent of its processing costs. According to SSA, processing claimant representative fee payments did not contribute to its mission-critical responsibilities.

Recommendations

We recommend that SSA:

1. Take action, if appropriate, on the nine records with over-assessed user fees.
2. Determine whether action is necessary for the remaining records with incorrect user fees in our population.
3. Evaluate the feasibility of automating the claimant representative fee process to eliminate manual transactions, where cost effective to do so.
4. Work with Congress to develop a method that recovers its cost of administering the claimant representative fees process or relieve the Agency of its responsibility for approving, withholding, and paying claimant representative fees.

SSA agreed with our recommendations.