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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**ESTABLISHMENT OF  
DEDICATED ACCOUNTS**

**May 2009**

**A-13-08-28122**

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**EVALUATION  
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.

## Vision

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



# SOCIAL SECURITY

## MEMORANDUM

Date: May 26, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Establishment of Dedicated Accounts (A-13-08-28122)

## OBJECTIVE

Our objective was to determine whether Supplemental Security Income (SSI) underpayments were deposited in dedicated accounts in accordance with Social Security Administration (SSA) policy.

## BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments.<sup>1</sup> A representative payee may be an individual or an organization. SSA selects representative payees for SSI recipients when representative payments would serve the individual's interests.<sup>2</sup>

Public Law 104-193 amended the *Social Security Act* by requiring that certain underpayments due SSI recipients under age 18 (child) be placed in dedicated accounts.<sup>3</sup> A dedicated account must be established when the applicable past-due SSI payment exceeds six times the applicable Federal Benefit Rate (FBR)<sup>4</sup> plus any State supplemental benefit payable. Dedicated accounts are separately maintained from other accounts and may only be used for certain expenditures. Only certain SSI underpayments may be deposited into dedicated accounts. The representative payee

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<sup>1</sup> *Social Security Act* §§ 205(j) and 1631(a)(2); 42 U.S.C. §§ 405(j) and 1383(a)(2).

<sup>2</sup> The SSI program provides payments to individuals who have limited income and resources and who are either age 65 or older, blind or disabled (20 C.F.R. § 416.110).

<sup>3</sup> *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Public Law 104-193, Sec. 213, August 21, 1996; see also *Social Security Act* § 1631(a)(2)(F)(i), 42 U.S.C. § 1383(a)(2)(F)(i).

<sup>4</sup> The FBR is the maximum monthly SSI payable for a given year. For example, for Fiscal Year 2007, the FBR was \$623 per month.

must establish the dedicated account before the release of the past-due benefits (underpayments). The Agency will direct deposit the underpayments into this account.

Representative payees can use these funds for the child's allowable expenses.<sup>5</sup> Allowable expenses include medical treatment, education, job skills training and expenses related to the child's impairment, such as special equipment, personal needs assistance, housing modification, therapy and other items or services SSA determines are appropriate. Generally, the funds may not be used for non-impairment-related expenses, including food, clothing, housing and personal items. However, the Agency may approve the use of dedicated account funds for basic living expenses to prevent a child from becoming homeless or malnourished.

We identified 2,105 payments made to children under age 18 from one segment of the Agency's Supplemental Security Record (SSR). These children had underpayments that exceeded six times the applicable FBR. The Agency issued the payments between September 1996 and June 2007 and had not placed these payments in dedicated accounts. See Appendices B and C for additional information regarding our methodology and estimation results.

## **RESULTS OF REVIEW**

The Agency made significant improvements in establishing dedicated accounts for children. Since 1998, we estimate there has been a substantial decline in SSI underpayments not placed in dedicated accounts. However, SSA staff did not always deposit these underpayments in a dedicated account.

We asked Agency staff to analyze 29 underpayments made to children to determine why dedicated accounts were not established. Agency staff indicated dedicated accounts for 22 of the 29 underpayments should have been established. Of the 22 underpayments not placed in dedicated accounts, 14 were due to noncompliance with policy and procedures. The other eight should have been deposited into dedicated accounts but were erroneously issued to new representative payees as conserved funds,<sup>6</sup> which do not require the establishment of a dedicated account.

For the remaining seven underpayments, Agency staff paid four payments into dedicated accounts. However, because of staff recording errors, the SSR did not show that Agency staff issued the payment to a dedicated account. Finally, the dedicated account rules did not apply for three underpayments.

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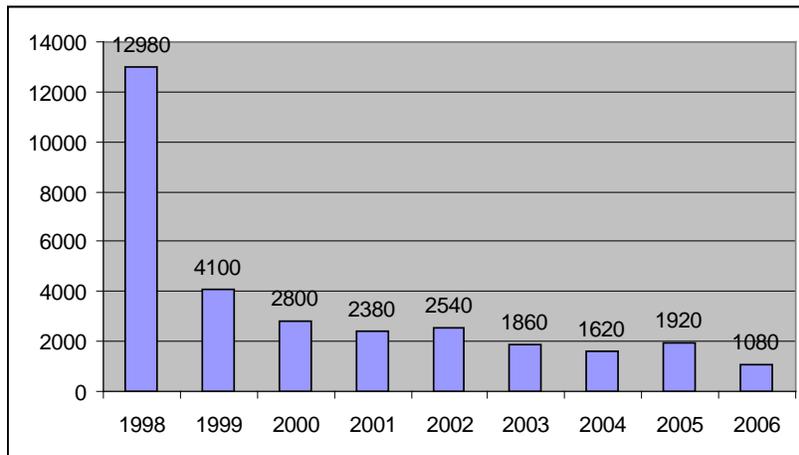
<sup>5</sup> *Social Security Act* § 1631(a)(2)(F)(ii), 42 U.S.C. § 1383(a)(2)(F)(ii).

<sup>6</sup> POMS, GN 603.001, indicates that any remaining benefits must be conserved or invested for the beneficiary.

## SIGNIFICANT DECLINE IN CHILDREN'S SSI UNDERPAYMENTS NOT PLACED IN DEDICATED ACCOUNTS

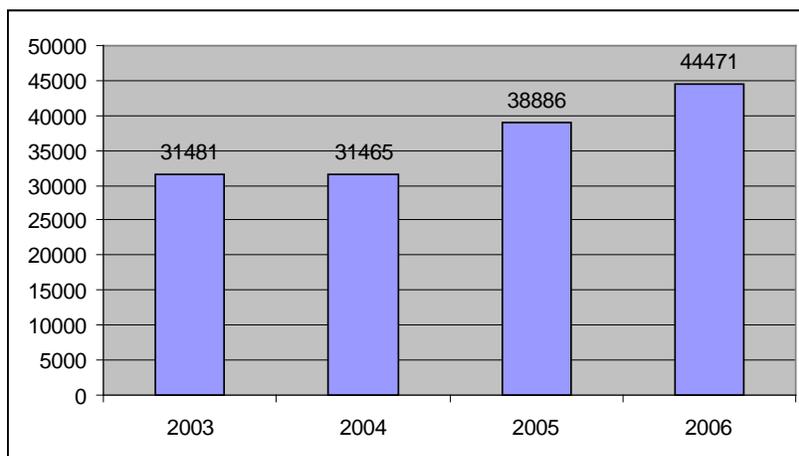
The Agency has made significant improvements in the establishment of dedicated accounts for children. Based on data we extracted from the SSR, we estimate in 1998, there were approximately 12,980 underpayments made to children that met the requirement for, but were not deposited in, dedicated accounts. For 2006, we estimate there were approximately 1,080 underpayments that met the requirement for which dedicated accounts were not established (see Table 1).

**Table 1: Decline in the Estimated SSI Underpayments to Children Not Placed In Dedicated Accounts**



According to Agency staff, over this period, while the number of SSI underpayments not placed in dedicated accounts declined, the number of dedicated accounts established increased. There were 31,481 dedicated accounts in 2003, which increased to 44,471 in 2006 (see Table 2).

**Table 2: Increase in the Number of Dedicated Accounts Established for Children<sup>7</sup>**



<sup>7</sup> Data were provided by SSA. Data before 2003 were not available.

We attribute SSA's improvements in establishing dedicated accounts to the implementation of an underpayment diary, installment payments and a prepayment review. To ensure the underpayment is paid to the child timely, SSA uses an underpayment diary that alerts Agency staff to process the underpayment. Installment payment provisions apply to certain underpayments. Also, certain underpayments require that the field office complete an underpayment review.

## **PAYMENT ERRORS TO SSI CHILDREN FOUND**

To determine why some recent underpayments were not deposited in a dedicated account, we asked Agency staff to analyze 29 underpayments paid between January and June 2007. For 22 (76 percent) of the 29 underpayments reviewed, staff indicated dedicated accounts totaling \$121,390 should have been established. Based on these results, we estimate approximately \$9.7 million in dedicated accounts should have been established for approximately 1,760 underpayments during Calendar Years 2007 and 2008.<sup>8</sup> SSA staff reported the following.

- Fourteen payments totaling \$82,373 were made in error due to noncompliance with SSA's policy and procedures. The dedicated account rules were not applied, and dedicated accounts were not established. SSA staff indicated they made some field offices aware of the need for training on the criteria for applying the dedicated account rules. For Calendar Years 2007 and 2008, we estimate Agency staff did not issue to dedicated accounts about \$6.6 million for approximately 1,120 underpayments because staff did not comply with SSA's policies and procedures.
- Eight payments totaling \$39,017 were made because SSA erroneously reissued dedicated account funds to new representative payees. These funds should have been re-deposited in dedicated accounts. However, Agency staff coded these funds as conserved funds, which do not require deposit in a dedicated account. To prevent these instances from recurring, SSA could establish a dedicated account remittance code to record the need to reestablish a dedicated account when SSA staff reissues dedicated account funds received from one representative payee to another. SSA staff agreed that this would help prevent this issue from recurring. For Calendar Years 2007 and 2008, we estimate about \$3.1 million in dedicated accounts was not established for approximately 640 underpayments due to coding of remitted dedicated account funds as conserved funds.

## **CODING ERRORS AND OTHER ISSUES**

For the remaining seven underpayments (24 percent) reviewed, SSA staff indicated coding errors and other issues were detected. Specifically, Agency staff reported the following.

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<sup>8</sup> See Appendix C for estimation methodology.

- Four payments were deposited in dedicated accounts. However, SSA staff did not code the payments on the SSR as having been paid into a dedicated account as they should have.
- Two payments were made after the child's monthly SSI payments had been stopped. Since the recipient was no longer in pay status, the dedicated account rules did not apply.
- One payment did not meet the requirement for depositing funds into a dedicated account because it was less than six times the applicable FBR. The underpayment also included a current month's benefit payment.

## **CONCLUSION AND RECOMMENDATIONS**

The Agency has made significant improvement since 1998 in establishing dedicated accounts for children when they are required. The Agency improved its controls to identify underpayments that require a dedicated account. However, underpayments requiring a dedicated account were not always identified. Our review of 29 underpayments from January to June 2007 showed that policies and procedures were not always followed. For 22 of the 29 underpayments reviewed, dedicated accounts should have been established.

To further improve controls over establishing dedicated accounts for children, we recommend SSA:

1. Remind staff of policies and procedures for dedicated accounts, including how to properly record the dedicated account on the SSR.
2. Consider establishing a dedicated account remittance code to indicate when funds held in a dedicated account are reissued from one representative payee to another.

## **AGENCY COMMENTS**

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



Patrick P. O'Carroll, Jr.

# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Estimation Results

[APPENDIX D](#) – Agency Comments

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

## Acronyms

C.F.R.	Code of Federal Regulations
CY	Calendar Year
FBR	Federal Benefit Rate
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

# Scope and Methodology

To accomplish our objective, we

- Reviewed applicable Federal laws and sections of Social Security Administration regulations, policies and procedures.
- Identified 2,771 underpayments made to children under age 18 from 1 randomly selected segment of the Supplemental Security Record. The underpayments were for \$2,500<sup>1</sup> or more issued between September 1996 and June 2007 that were not placed into a dedicated account. Of these 2,771 underpayments, 2,105 were for amounts that met or exceeded 6 times the applicable Federal Benefit Rate (FBR).
- Randomly selected 50 of the 2,105 underpayments to determine whether the dollar threshold requirements were met for depositing funds in dedicated accounts. We determined all 50 met the requirement for estimation purposes. The results were used to estimate the underpayments that met the requirement for depositing funds into dedicated accounts for all 20 segments of the Supplemental Security Record (see Appendix C).
- Provided SSA 29 underpayments made between January and June 2007 to determine why a dedicated account was not established.

We performed our review between July and November 2008 in Baltimore, Maryland. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objective. We conducted our review in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.<sup>2</sup>

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<sup>1</sup> To ensure all payments during the stated time period met or exceeded six times the applicable yearly FBR, we identified all payments in excess of \$2,500. Six times the 1996 FBR of \$470, the earliest year of our stated time period, exceeds \$2,500. The yearly FBR has increased every year since. Therefore, we ensured all payments in our population met or exceeded six times the applicable yearly FBR threshold.

<sup>2</sup> In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency, *Inspector General Reform Act of 2008*, Pub. L. No. 110-409 § 7, 5 U.S.C. App. 3 § 11.

## Estimation Results

Our objective was to determine whether Supplemental Security Income underpayments were deposited in dedicated accounts in accordance with Social Security Administration policy. To accomplish our objective, we identified 2,105 underpayments made to children under age 18 from 1 randomly selected segment of the Agency’s Supplemental Security Record (SSR) that exceeded 6 times the applicable Federal Benefit Rate. The Agency issued the payments between September 1996 and June 2007, and SSA staff had not placed these payments in dedicated accounts.

Of the 2,105, we randomly selected and reviewed 50 underpayments to determine whether the payments met the dollar threshold requirements for depositing funds into dedicated accounts. All payments we reviewed met the dollar threshold requirement. We used these results to conclude all underpayments we identified from the SSR segment met the dollar threshold requirements for depositing funds into dedicated accounts (see Table 1). We multiplied these results by 20 to get the estimated underpayments that should have been, but according to SSA’s records, were not placed into dedicated accounts for the stated periods (see Table 2).

<b>Table 1: Underpayments for One Randomly Selected SSR Segment</b>	
Year	Number of Payments Made to Children
September to December 1996	17
1997	496
1998	649
1999	205
2000	140
2001	119
2002	127
2003	93
2004	81
2005	95
2006	54
January to June 2007	29 <sup>1</sup>
<b>Total</b>	<b>2,105</b>

<sup>1</sup> We estimate about \$9.7 million in dedicated accounts should have been established for about 1,760 underpayments during Calendar Years (CY) 2007 and 2008. For 22 (76 percent) of the 29 underpayments reviewed, Agency staff indicated dedicated accounts totaling \$121,390 should have been established for the period January through June 2007. Assuming similar results during the second half of CY 2007, we estimate for the 1 segment of the SSR under review that a total of \$242,780 in dedicated accounts should have been established for 44 underpayments. Therefore, we estimate \$4,855,600 in dedicated accounts should have been established for approximately 880 underpayments in all 20 segments of the SSR during CY 2007. Assuming similar results, we estimate another \$4,855,600 in dedicated accounts should have been established for approximately 880 underpayments in all 20 segments of the SSR during CY 2008. For the 2-year period, we estimate a total of \$9,711,200 in dedicated accounts should have been established for approximately 1,760 underpayments.

<b>Table 2: Estimate for 20 Segments of SSR</b>	
Year	Number of Payments Made to Children <sup>2</sup>
September to December 1996	340
1997	9,920
1998	12,980
1999	4,100
2000	2,800
2001	2,380
2002	2,540
2003	1,860
2004	1,620
2005	1,900
2006	1,080
January to June 2007	580
<b>Total</b>	<b>42,100</b>

<sup>2</sup> We computed the estimated number of recipients by multiplying the number of recipients in 1 segment by 20 (there are 20 segments in the SSR).

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** April 27, 2009 **Refer To:** S1J-3

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

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

**Subject:** Office of the Inspector General (OIG) Draft Report, "Establishment of Dedicated Accounts"  
(A-13-08-28122)--INFORMATION

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

Please let me know if we can be of further assistance. Please direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,  
"ESTABLISHMENT OF DEDICATED ACCOUNTS" (A-13-08-28122)**

Our responses to your specific recommendations are as follows.

**Recommendation 1**

Remind staff of policies and procedures for dedicated accounts, including how to properly record the dedicated account on the Supplemental Security Record (SSR).

**Comment**

We agree. By the end of fiscal year 2009, we will provide reminders to the staff on the policy and procedures for establishing and recording dedicated accounts on the SSR.

**Recommendation 2**

Consider establishing a dedicated account remittance code to indicate when funds held in a dedicated account are reissued from one representative payee to another.

**Comment**

We agree. A remittance code for returned dedicated account funds will be beneficial in reissuing the funds to a new representative payee and dedicated account. Once resources are available, we will consider the necessary system modifications to create a remittance code specifically for dedicated account funds.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Shirley Todd, Director, Evaluation Division

Randy Townsley, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Alan Carr, Auditor-in-Charge

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-13-08-28122.

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Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

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

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

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Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

## **Overview of the Office of the Inspector General**

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

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

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

### **Office of Technology and Resource Management**

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