



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## *Audit Report*

### Benefits Withheld Pending the Selection of a Representative Payee

*052405 September 2025*



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** September 30, 2025

**Refer to:** 052405

**To:** Frank Bisignano  
Commissioner

**From:** Michelle L. Anderson *Michelle L. Anderson*  
Acting Inspector General

**Subject:** Benefits Withheld Pending the Selection of a Representative Payee

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration paid Old-Age, Survivors, and Disability Insurance beneficiaries' benefits it withheld pending the selection of a representative payee.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please contact Jeffrey Brown, Deputy Assistant Inspector General for Audit.

Attachment

# Benefits Withheld Pending the Selection of a Representative Payee

## 052405



September 2025

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) paid Old-Age, Survivors, and Disability Insurance beneficiaries' benefits it withheld pending the selection of a representative payee.

### Background

SSA appoints representative payees for beneficiaries who cannot manage or direct the management of their Social Security benefits because of their youth or mental and/or physical impairments. SSA may suspend benefits pending the selection of a representative payee if a representative payee problem surfaces, a new representative payee is not available, and direct payments to the beneficiary is prohibited.

The benefits withheld in suspense are underpayments due the beneficiary. Once the employee makes a representative payee determination, the employee determines the amount of benefits the Agency withheld and are now payable and resumes benefit payments.

From 1 segment of the Master Beneficiary Record, we identified 608 beneficiaries in terminated or current payment status who had benefits withheld in suspense pending the selection of a representative payee from November 2011 to March 2024.

### Results

SSA paid benefits it withheld pending the selection of representative payees to 54 (54 percent) of 100 beneficiaries in our sample. However, SSA did not follow policy to pay benefits it withheld pending the selection of representative payees to 46 (46 percent) beneficiaries in our sample. We estimate SSA employees did not take appropriate actions to pay approximately 5,100 beneficiaries \$10.9 million in withheld benefits. We could not determine why employees did not follow policies and procedures to resolve benefits withheld after they resumed or terminated benefits or properly addressed system alerts.

### Conclusion

Unless the Agency improves its processes and controls to ensure employees properly pay benefits SSA withheld pending the selection of representative payees, the Agency will continue to underpay thousands of beneficiaries millions in benefits they are entitled to receive, which may cause beneficiaries financial hardship.

### Recommendations

1. Take appropriate action to pay the underpayments to the 42 beneficiaries identified in our audit.
2. Take appropriate action to pay the underpayments for the remaining population of beneficiaries identified by our audit.
3. Revise its semi-annual alerts to include beneficiaries whose benefits SSA withheld due to the representative payees' deaths.
4. To prevent future errors, establish controls to ensure employees properly pay benefits that the Agency withheld pending the selection of representative payees.

SSA agreed to implement our recommendations.

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## **ABBREVIATIONS**

C.F.R.	Code of Federal Regulations
FO	Field Office
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

## OBJECTIVE

To determine whether the Social Security Administration (SSA) paid Old-Age, Survivors, and Disability Insurance beneficiaries' benefits it withheld pending the selection of a representative payee.

## BACKGROUND

SSA appoints representative payees for beneficiaries who cannot manage or direct the management of their Social Security benefits because of their youth or mental and/or physical impairments.<sup>1</sup> A representative payee, which may be an individual or an organization, receives OASDI benefits on these beneficiaries' behalf.

Generally, SSA must pay a beneficiary directly while searching for a new representative payee. However, SSA may suspend benefits pending the selection of a representative payee if a representative payee problem surfaces, a new representative payee is not available, and direct payments to the beneficiary is prohibited by law. Direct payment to any beneficiary who is a legally incompetent adult or child under age 15 is prohibited by law. Additionally, SSA can suspend benefits for up to 1 month if it determines that direct payment would cause substantial harm (that is, physical or mental injury) to the beneficiary (the suspension may exceed 1 month if the beneficiary has a drug addiction or alcoholism condition).<sup>2</sup>

The benefits withheld in suspense are underpayments due the beneficiary. SSA's field office (FO) employees must review the beneficiaries' records and attempt to identify and appoint a representative payee as soon as possible.<sup>3</sup> Once the employee makes a representative payee determination, the employee determines the amount of benefits the Agency withheld and are now payable and resumes benefit payments. SSA's system updates the Master Beneficiary Record (MBR) payment status from suspension to current pay, removes the benefits withheld in suspense on the MBR, and issues the underpayment to the appointed representative payee or the beneficiary directly if he or she does not need a representative payee.<sup>4</sup> If an employee's attempts to identify a new representative payee are unsuccessful, the employee should remove the benefits withheld in suspension on the MBR and establish the underpayment on the MBR.<sup>5</sup>

For example, when SSA is notified of a representative payee's death, SSA's employees should suspend the beneficiary's benefits on the MBR. Once the benefits are suspended, SSA's system generates an alert notifying FO employees to search for a new representative payee for the beneficiary. The employee should take the appropriate actions to establish the underpayment on the MBR or issue the underpayment based on their results when identifying a new representative payee.

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<sup>1</sup> *Social Security Act* § 205, 42 U.S.C. § 405(j)(1)(A); 20 C.F.R. § 404.2010.

<sup>2</sup> SSA, *POMS*, GN 00504.105 (March 31, 2025) and GN 00504.110 (April 18, 2025).

<sup>3</sup> SSA, *POMS*, GN 00504.150, A (April 25, 2025).

<sup>4</sup> SSA, *POMS*, GN 02301.020 (January 26, 2022).

<sup>5</sup> SSA, *POMS*, GN 02301.020, B (January 26, 2022).

When SSA terminates a beneficiary's benefits for reasons other than their death and an underpayment is due, an SSA employee contacts the beneficiary or representative payee to verify the current address and banking information to ensure the Agency issues payments to the correct individual.<sup>6</sup> If SSA terminates benefits because a beneficiary has died, SSA should pay the withheld benefits due the deceased beneficiaries to eligible individuals based on an established order of priority.<sup>7</sup> The employee must document on the MBR their efforts to locate the beneficiary or proper recipient.<sup>8</sup> If an employee's contact attempts are not successful, the employee should establish the underpayment on the MBR and remove the benefits withheld in suspension on the MBR.<sup>9</sup>

SSA's system generates alerts semi-annually to identify beneficiaries in current or terminated payment status who still have benefits the Agency withheld pending representative payee determinations. These alerts notify employees to resolve potential underpayments that the Agency has not yet issued to beneficiaries or their representative payees. However, the system does not generate alerts when the reason for the suspension is the representative payee's death or fugitive felon status.

## SCOPE AND METHODOLOGY

We obtained records from 1 segment of the MBR and, from that segment, identified 608 beneficiaries whose benefits were in terminated or current payment status and whose payment record contained a history of benefits withheld in suspense pending the selection of representative payees from November 2011 to March 2024. From this population, we reviewed a random sample of 100 beneficiaries (see Appendix A).

## RESULTS OF REVIEW

SSA paid benefits it withheld pending the selection of representative payees to 54 (54 percent) of 100 beneficiaries in our sample. However, SSA did not follow policy to pay benefits it withheld pending the selection of representative payees to 46 (46 percent) beneficiaries in our sample.<sup>10</sup> We estimate SSA employees did not take appropriate actions to pay approximately 5,100 beneficiaries \$10.9 million in withheld benefits. We could not determine why employees did not follow policies and procedures to resolve benefits withheld after they resumed or terminated benefits or properly addressed system alerts.

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<sup>6</sup> SSA, *POMS*, GN 02301.020, B.2.a (January 26, 2022).

<sup>7</sup> SSA, *POMS*, GN 02301.030 (September 14, 2017).

<sup>8</sup> SSA, *POMS*, GN 00504.160 (April 25, 2025) and GN 02301.060, C (February 23, 2024).

<sup>9</sup> GN 02301.060, C (February 23, 2024).

<sup>10</sup> For three living beneficiaries in terminated payment status, SSA employees attempted to locate them to pay the withheld benefits but were unsuccessful. However, employees did not follow policy to remove the withheld benefits from suspense and establish the underpayments on the MBR after these unsuccessful attempts. We informed SSA to take corrective action for these beneficiaries.

## Withheld Benefits Payable

For 43 of the 100 beneficiaries in our sample, SSA employees resumed or terminated benefits but did not take appropriate actions to pay \$185,267<sup>11</sup> in benefits it withheld pending the selection of representative payees.<sup>12</sup> SSA continued withholding these benefits for an average of 51 months after it resumed or terminated benefits. Of the 43 beneficiaries,

- 11 were in current payment status, and SSA employees had made representative payee determinations, but employees did not pay the underpayments to the representative payees or beneficiaries;
- 1 was in terminated payment status and, although an SSA employee located the beneficiary, the employee did not pay the underpayment;
- 22 were living and in terminated payment status; however, we found no evidence SSA employees attempted to contact these beneficiaries or representative payees to obtain their current addresses and bank information to pay the underpayments; and
- 9 were deceased, but we found no evidence SSA employees attempted to identify and determine the potential recipients of the underpayments.

### Example 1

In February 2021, an SSA employee suspended a beneficiary's benefits pending the selection of a new representative payee because the beneficiary's representative payee had died. In April 2021, the employee selected a new representative payee and resumed benefit payments. However, the employee did not pay the representative payee \$2,094 in benefits the Agency had withheld from February 2021 through March 2021. As of July 2025, an SSA employee had not resolved the underpayment and paid it to the representative payee.

### Example 2

In May 2023, an SSA employee suspended a beneficiary's benefits pending the selection of a new representative payee because the beneficiary's representative payee had died. In June 2023, the employee selected a new representative payee and resumed benefit payments. However, the employee did not pay the representative payee \$1,141 in benefits the Agency had withheld in May 2023. The beneficiary died in November 2023 and an SSA employee did not attempt to identify and determine the potential recipients of the underpayments. As of July 2025, an SSA employee had not resolved the underpayment.

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<sup>11</sup> One error totaled \$95,497 was a statistical outlier compared to the other errors. Therefore, we excluded the error from our projections.

<sup>12</sup> SSA resolved the benefits withheld and issued underpayments to one beneficiary, after our review.



Of the 43 beneficiaries, SSA's system generated alerts for 4 beneficiaries. However, employees did not follow policies and procedures to resolve the alerts and did not issue payments to these beneficiaries. The employees closed the alerts, indicating they were completed and resolved for two of these beneficiaries, but they did not properly resolve the alerts and pay the underpayments. For the remaining two beneficiaries, the alerts were still pending at the time of review. We were unable to determine why SSA employees did not properly resolve the alerts and pay the underpayments.

For the remaining 39 beneficiaries, SSA withheld benefits due to their representative payees' deaths. SSA's system is not designed to generate alerts when benefits are withheld due to the representative payees' deaths.

## **Underpayments Not Established on the Master Beneficiary Record**

For three living beneficiaries in our sample who were in terminated payment status, SSA employees did not remove the benefits withheld in suspense on the MBR and establish the underpayments on the MBR after their attempts to locate these beneficiaries were unsuccessful, as SSA policy requires.<sup>13</sup> SSA did not establish \$24,882 in underpayments on the MBR; thus, the risk that underpayments will remain unpaid and untracked increases. We informed SSA to take corrective action on these cases.

## **CONCLUSION**

Unless the Agency improves its processes and controls to ensure that employees properly pay benefits that SSA withheld pending the selection of representative payees, the Agency will continue to underpay thousands of beneficiaries millions in benefits they are entitled to receive, which may cause beneficiaries financial hardship.

## **RECOMMENDATIONS**

We recommend that SSA:

1. Take appropriate action to pay the underpayments to the 42 beneficiaries identified in our audit.
2. Take appropriate action to pay the underpayments for the remaining population of beneficiaries identified by our audit.
3. Revise its semi-annual alerts to include beneficiaries whose benefits SSA withheld due to their representative payees' deaths.
4. To prevent future errors, establish controls to ensure employees properly pay benefits that the Agency withheld pending the selection of representative payees.

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<sup>13</sup> SSA, *POMS*, GN 02301.020, B (January 26, 2022).

## **AGENCY COMMENTS**

SSA agreed to implement our recommendations; see Appendix C.

# ***APPENDICES***

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed the applicable sections of the *Social Security Act*, United States Code, and Social Security Administration's (SSA) *Program Operations Manual System*.
- Interviewed SSA subject-matter experts to obtain an understanding of the process of resolving payee development suspensions and paying withheld benefits;
- From 1 of the 20 segments of SSA's Master Beneficiary Record (MBR), we identified 608 beneficiaries in terminated or current payment status whose MBR contained a history of benefits withheld in suspense pending the selection of a representative payee from November 2011 to March 2024.
- Selected a random sample of 100 beneficiaries from the population for review to determine (1) whether SSA employees followed policies and procedures to resolve and pay the underpayment, (2) the amount of past-due benefits SSA owed the beneficiary, (3) how long benefits had not been paid; and (4) whether SSA's system generated alerts and, if so, whether employees properly resolved the alerts.
- Reviewed queries from the MBR, Payment History Update System, Evidence Portal, and Online Retrieval System to determine the actions SSA had taken.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following component and principles as significant to the audit objective.

- Component 3: Control Activities
  - Principle 10: Design control activities
  - Principle 12: Implement control activities

We assessed the reliability of the data extract provided by conducting electronic testing and reviewing existing information about the data and the system that produced them. We also traced a statistically random sample of data to source documents. We determined the data were sufficiently reliable for the purposes of this report.

We conducted our review from January 2025 to August 2025. The principal entity audited was SSA's Office of Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

To conduct this review, we used a simple random sample statistical approach. This is a standard statistical approach used for creating a sample from a sampling frame completely at random. Each sample item had an equal chance of selection, and the selection of one item had no impact on the selection of other items. This guaranteed we chose a sample that represented the sampling frame, absent human biases, and ensured statistically valid conclusions of, and projections to, the entire sampling frame under review. Our sampling approach for this review ensures the reported projections are statistically sound and defensible.

To determine whether the Social Security Administration (SSA) paid beneficiaries' benefits it withheld pending the selection of representative payees, we obtained a data extract from 1 of the 20 segments of SSA's Master Beneficiary Record (MBR), and identified 608 beneficiaries in terminated or current payment status whose MBR contained a history of benefits withheld in suspense pending the selection of a representative payee from November 2011 to March 2024. From this population, we selected a random sample of 100 beneficiaries.

**Table B–1: Population and Sample Size**

Description	Beneficiaries
Population Size	608
Sample Size	100

SSA did not pay \$185,267 in benefits it withheld pending the selection of payees for 43 of the 100 beneficiaries in our sample. Projecting these results to the population and applying to all 20 segments of the MBR, we estimate that SSA employees did not take appropriate actions to pay approximately 5,100 beneficiaries \$10.9 million in withheld benefits.

**Table B–2: Withheld Benefits Payable**

Description	Beneficiaries	Underpayments
Sample Results	42	\$89,770 <sup>1</sup>
Point Estimate	255	\$545,804
Projection - Lower Limit	209	\$388,179
Projection - Upper Limit	304	\$703,429
All 20 Segments	5,100	\$10,916,080

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

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<sup>1</sup> One error totaled \$95,497 was a statistical outlier compared to the other errors. Therefore, we excluded the error from our projections.

## Appendix C – AGENCY COMMENTS

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### SOCIAL SECURITY Office of the Commissioner

#### MEMORANDUM

**Date:** September 26, 2025

**Refer To:** TQA-1

**To:** Michelle L. Anderson  
Acting Inspector General

**From:** Chad Poist   
Chief of Staff

**Subject:** Office of the Inspector General Draft Report, “Benefits Withheld Pending the Selection of Representative Payees” (052405) - INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations. SSA is committed to ensuring that beneficiaries receive correct and timely payments.

Please let me know if I can be of further assistance. You may direct staff inquiries to Amy Gao, Director of the Audit Liaison Staff, at (410) 966-1711.

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