



## SOCIAL SECURITY

### MEMORANDUM

Date: March 14, 2003

Refer To:

To: The Commissioner

From: Inspector General

Subject: Screening Representative Payees for Fugitive Warrants (A-01-02-12032)

The attached final report presents the results of our audit. Our objective was to assess the use of fugitive warrant information as a screening tool for representative payees.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on our recommendations. 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.

A handwritten signature in blue ink, appearing to read "James G. Huse, Jr.".

James G. Huse, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**SCREENING REPRESENTATIVE  
PAYEES FOR  
FUGITIVE WARRANTS**

**March 2003**

**A-01-02-12032**

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**AUDIT REPORT**

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## **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

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## OBJECTIVE

Our objective was to assess the use of fugitive warrant information as a screening tool for representative payees (Rep Payee).

## BACKGROUND

Some individuals cannot manage their finances because of their youth or mental and/or physical impairments. Consequently, Congress granted the Social Security Administration (SSA) authority to appoint Rep Payees to receive and manage these individuals' Social Security benefit payments. Congress, recognizing the potential for Rep Payee mismanagement, requires that SSA exercise care in determining that a Payee is needed, selecting a Rep Payee, and monitoring the Rep Payee's performance.

As a result of the fugitive provisions in section 202 of Public Law 104-193 (which was enacted on August 22, 1996), SSA has agreements to obtain fugitive data from Federal, State, and local law enforcement agencies to stop Supplemental Security Income (SSI) payments under section 1611(e)(4) of the Social Security Act. On October 7, 2002, SSA issued a new policy to address fugitive Rep Payees. However, this policy only pertains to fugitive Rep Payees who are SSI recipients.

## RESULTS OF REVIEW

We believe SSA should use fugitive warrant information to screen Rep Payees because a fugitive felon may not be in the best position to manage a beneficiary's funds. Based on our analysis, we estimate that approximately 3,145 fugitives served as Rep Payees and managed approximately \$81.2 million in Social Security funds. Furthermore, we estimate that, if not replaced, current fugitives will manage approximately \$19.6 million in Social Security benefits over the next year.

## CONCLUSIONS AND RECOMMENDATIONS

SSA should use fugitive data as a screening tool for new Rep Payee applicants and to re-evaluate the suitability of current Rep Payees to determine whether the fugitives should be allowed to continue to serve as Payees.

SSA has set up a work group to establish policies for identifying and assessing the suitability of SSI recipients suspended for being fugitives who are also serving as Rep Payees. However, SSA has not addressed the issue of fugitive Rep Payees who are not also SSI recipients. As a result, most fugitive Rep Payee cases will be a new

workload for SSA, but we believe resources should be expended to protect these vulnerable beneficiaries from potential Rep Payee abuse.

We acknowledge the Agency's support for the fugitive Rep Payee legislation that has been introduced in Congress. However, to ensure that SSA's efforts encompass all fugitives serving as Rep Payees, we recommend SSA:

- enhance its current Rep Payee process to include fugitive felon data in its suitability determinations for new payee applicants, and
- periodically validate its Rep Payee file against fugitive warrant data to identify existing Rep Payees who are fugitives and re-evaluate their suitability.

## **AGENCY COMMENTS**

SSA generally agreed with both of our recommendations. However, SSA plans to wait for Congress to enact supportive legislation before implementing our recommended changes to its current system. (See Appendix B for SSA's comments.)

## **OIG RESPONSE**

We acknowledge the Agency's support for the fugitive Rep Payee provisions in section 103 of H.R. 743—which was introduced in Congress on February 12, 2003. We urge SSA to implement our recommendations as soon as the legislation is enacted, or, if not enacted during this congressional session, to reconsider its position to wait for legislation.

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# Acronyms

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MRPF	Master Representative Payee File
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Rep Payee	Representative Payee
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number

## OBJECTIVE

Our objective was to assess the use of fugitive warrant information as a screening tool for representative payees (Rep Payee).

## BACKGROUND

Some individuals cannot manage their finances because of their youth or mental and/or physical impairments. Congress granted the Social Security Administration (SSA) the authority to appoint Rep Payees to receive and manage these individuals' benefit payments.<sup>1</sup> Approximately 25 percent of Supplemental Security Income (SSI) recipients and 10 percent of Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries have Rep Payees.<sup>2</sup> A Rep Payee is a person, agency, organization, or institution selected to receive and manage benefits on behalf of an incapable beneficiary. Rep Payees are responsible for using Social Security benefits to serve the beneficiary's best interests. Their duties include

- using benefits to meet the beneficiary's current and foreseeable needs,
- reporting any changes in circumstances that would affect their performance as a Rep Payee,
- reporting events to SSA that may affect the beneficiary's entitlement/eligibility or payment amount, and
- completing a *Representative Payee Report* for all beneficiaries upon SSA's request.<sup>3</sup>

SSA's decision to make payment through a Rep Payee is significant because it deprives the beneficiary of direct control over his or her finances and may affect his or her manner of living. Congress, recognizing the potential for Rep Payee mismanagement,<sup>4</sup> requires that SSA exercise care in determining that a Payee is needed, selecting a Rep Payee, and monitoring the Rep Payee's performance.

While having a criminal history is not an absolute bar to serving as a Rep Payee, it is a strong indication the individual may not be suitable.<sup>5</sup> As a result, SSA periodically

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

<sup>2</sup> SSA Publication No. 05-10076, *A Guide For Representative Payees*, April 1997, page 2.

<sup>3</sup> See 20 CFR §§ 404.2035 and 416.635.

<sup>4</sup> Social Security Act §§ 205(j) and 1631(a), 42 U.S.C. §§ 405(j) and 1383(a).

<sup>5</sup> Policy Instruction AM-02171.

matches its Prisoner Update Processing System with its Master Representative Payee File (MRPF) to identify incarcerated Rep Payees and assess their suitability. The purpose of this project is to protect vulnerable beneficiaries from potential abuse by Rep Payees. However, SSA does not have a similar procedure to identify and replace Rep Payees who are fugitives. Although SSA issued a policy to address fugitive Rep Payees on October 7, 2002, it only pertains to fugitive Rep Payees who are SSI recipients.<sup>6</sup> The new policy does not address the following two situations:

1. fugitive Rep Payees who only receive OASDI benefit payments—not SSI payments or
2. fugitive Rep Payees who do not receive SSI or OASDI benefits from SSA.

On August 22, 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) amended the Social Security Act to prohibit SSI payments to fugitive felons. As a result, SSA entered into computer matching agreements with law enforcement agencies to identify fugitive data.<sup>7</sup> However the Privacy Act (as amended) does not permit SSA to use fugitive data to screen Rep Payees for suitability because of the limited terms and current legal authority of SSA's fugitive agreements.<sup>8</sup>

Although SSA staff informed us they perform suitability checks when there is any activity or change in the status of a beneficiary who is also a Rep Payee, the Agency does not have a specific policy to prohibit a fugitive from acting as another beneficiary's Rep Payee.<sup>9</sup> However, legislation has been introduced in Congress which would prohibit fugitive felons from serving as Rep Payees.<sup>10</sup>

In July 2002, SSA formed a work group to analyze fugitive Rep Payee cases and develop procedures for handling this workload.<sup>11</sup> However, as of September 2002, this work was still ongoing.

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<sup>6</sup> Policy Instruction AM-02171.

<sup>7</sup> As of September 2002, SSA had agreements with the National Crime Information Center, the U.S. Marshals Service, 25 States, and 4 local counties.

<sup>8</sup> See 5 U.S.C. §§ 522a(e)(1) and (o). The agreements between SSA and Federal, State and local law enforcement jurisdictions state the primary purpose is to identify and assist in apprehending fugitive felons who are receiving SSI payments, in violation of Section 1611(e)(4) of the Social Security Act.

<sup>9</sup> POMS, section GN 00504.100, provides instructions on when to consider the need for a new Rep Payee. However, fugitive status is not specifically identified as a reason to replace a Rep Payee.

<sup>10</sup> H.R. 4070 was introduced in Congress in Calendar Year 2002; and section 103 of this bill contained provisions related to fugitive Rep Payees. However, the bill was not signed into law before the Congressional session ended. H.R. 743 was introduced in Congress on February 12, 2003.

<sup>11</sup> SSA identified approximately 6,500 fugitive felons serving as Rep Payees for 7,500 beneficiaries based on a match between the MRPF and an extract of fugitive data from the Office of the Inspector General's (OIG) Allegation and Case Investigative System.

## SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Researched SSA's policies and procedures related to Rep Payee suitability.
- Obtained a legal opinion from the Office of Counsel to the Inspector General on matching Rep Payee and fugitive data.
- Obtained fugitive data from a sample of 10 States between February 1999 and May 2000.<sup>12</sup>
- Verified each fugitive's name, Social Security number (SSN), sex, and date of birth using SSA's Enumeration Verification Service.
- Matched the verified records from the 10 State fugitive files to SSA's MRPF<sup>13</sup> and identified 3,473 fugitive felons and/or parole or probation violators who appeared to be Rep Payees.
- Selected a sample of 368 fugitive Rep Payees from the 3,473 records using a multi-stage proportional-to-size sampling design. (See Appendix A for details of our sampling methodology.)

We performed the following analysis for each of the 368 sample cases.

- Obtained the Master Beneficiary Record and/or Supplemental Security Record for each beneficiary who appeared to have a fugitive serving as his or her Rep Payee. Using these records, we determined whether the beneficiaries' OASDI and/or SSI payments were paid to the fugitive Rep Payees.
- Confirmed with law enforcement agencies whether the warrant remained outstanding for Rep Payees who managed funds for Social Security beneficiaries.
- Calculated, for Rep Payees with outstanding warrants or Rep Payees who had warrants but were later arrested, the amount of Social Security funds managed and the number of months served as Rep Payees. This calculation started with the date of the warrant or the date the Rep Payee was selected (whichever was later) and ended in April 2002 (for outstanding warrants) or the date of arrest.
- Estimated the amount of benefits the fugitive will manage over the next 12 months.

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<sup>12</sup> The 10 states were Alabama, California, Colorado, Idaho, Illinois, Iowa, Maine, New Mexico, Oregon, and Texas.

<sup>13</sup> The MRPF is a file of all Rep Payees. As of June 2001, it contained 5.25 million individuals serving as Rep Payees.

- Ascertained the relationship between the Rep Payee and the beneficiary.
- Determined whether the beneficiary was under age 18.

We conducted our audit between April and September 2002 in Boston, Massachusetts, and Baltimore, Maryland. We did not assess the suitability of the fugitives identified during our audit nor did we conduct reviews of their Rep Payee activities to determine whether the fugitives misused Social Security benefits. The entity audited was SSA's Office of Disability and Income Assistance Policy under the Deputy Commissioner for Policy. We conducted our audit in accordance with generally accepted government auditing standards.

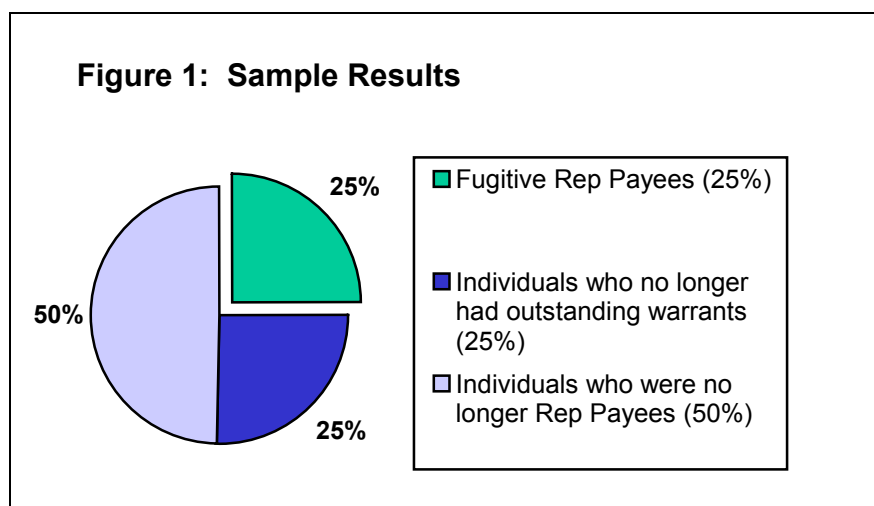
# Results of Review

We believe SSA should use fugitive warrant information to screen Rep Payees because a fugitive felon may not be in the best position to manage a beneficiary's funds.<sup>14</sup> Based on our analysis, we estimate that approximately 3,145 fugitives served as Rep Payees and managed approximately \$81.2 million in Social Security funds. Furthermore, we estimate that, if not replaced, current fugitive felons will manage approximately \$19.6 million in SSI and OASDI benefit payments over the next 12 months.

## SAMPLE RESULTS

From our statistical sample of 368 cases, we found

- 92 fugitives served as Rep Payees and managed \$2.4 million in Social Security funds for 126 beneficiaries;<sup>15</sup> (These 92 fugitives received payments as Rep Payees between 1 month and 157 months. On average, the 92 fugitives managed funds as Rep Payees for 53 months, or 4 ½ years.)

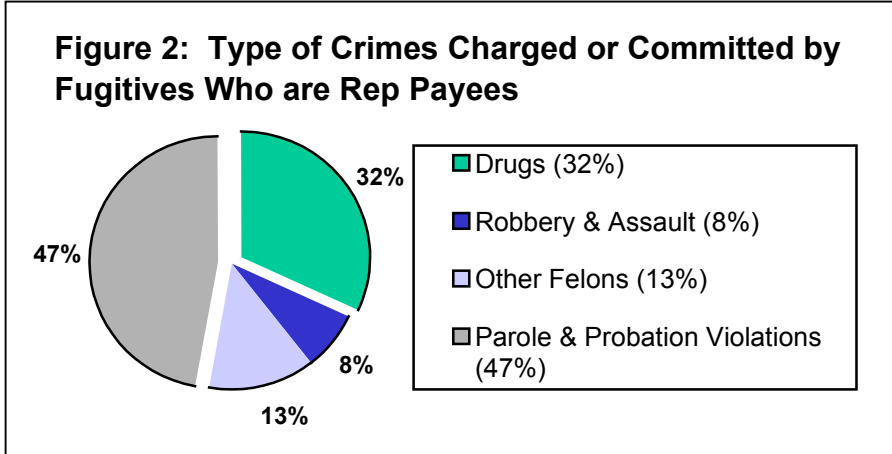


- 93 individuals were Rep Payees, but their warrants were no longer outstanding; and
- 183 individuals were no longer Rep Payees who managed funds for other beneficiaries.

<sup>14</sup> One factor SSA considers when selecting a Rep Payee is whether the potential Rep Payee is in a position to know of and look after the needs of the beneficiary. See 20 CFR §§ 404.2020(e) and 416.620(e).

<sup>15</sup> The 126 beneficiaries are comprised of 73 OASDI, 47 SSI, and 6 concurrent beneficiaries. A concurrent beneficiary is an individual entitled to receive both OASDI and SSI benefit payments.

Most of the crimes charged or committed by the fugitives involved drugs or parole and probation violations. Figure 2 shows the breakout of the 92 fugitive Rep Payees by type of crime. SSA should consider the type of crime committed

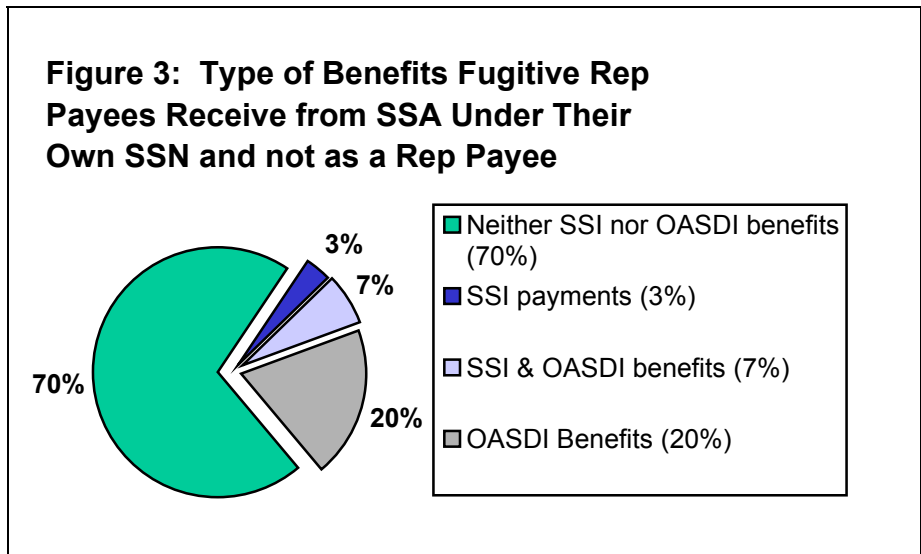


by the fugitives in conducting suitability reviews for these Rep Payees. Further, the original crime committed by parole and probation violators may have been a misdemeanor.<sup>16</sup>

### Fugitive Rep Payees' Relationship with the Social Security Administration

Of the 92 fugitives who were Rep Payees and managed other beneficiaries' funds, we found that

- 65 were not receiving SSI or OASDI benefit payments from SSA,
- 3 were also receiving SSI payments,
- 6 were also receiving both SSI and OASDI benefits, and
- 18 were also receiving OASDI benefits.



<sup>16</sup> During our audit, we did not obtain data describing the original crimes committed by parole or probation violators.

In December 2001, we submitted a proposal to SSA to modify its current SSI fugitive agreement to include screening for Rep Payees when the agreement came up for renewal in February 2002.<sup>17</sup> At the time, SSA was not prepared to modify the agreement because of the short time frame to approve the renewal. However, on February 25, 2002, the Agency expressed a willingness to match internal SSI fugitive data against its Rep Payee data (which could be done without a matching agreement). In July 2002, SSA matched the fugitive data in the Allegation and Case Investigative System with the Agency's Rep Payee data and formed a work group to study the data and develop procedures for processing this workload.

However, as illustrated in Figure 3, matching only internal SSI fugitive data with the MRPF would identify 10 percent of the fugitive Rep Payees. The majority (90 percent) of the fugitive Rep Payees in our sample did not receive SSI payments. Therefore, we believe SSA needs to use the original fugitive files it receives from law enforcement—which contain warrant information for all fugitives wanted by that particular agency—to screen Rep Payees. This will ensure all fugitive Rep Payees are identified—not just those Rep Payees receiving SSI payments.

## **Fugitives Serving as Rep Payees**

The 92 fugitives in our sample who served as Rep Payees managed \$1.1 million in SSI funds and \$1.3 million in OASDI funds.<sup>18</sup> Additionally, we estimate these fugitive Rep Payees will manage approximately \$5 million in Social Security funds over the next 12 months if they are not replaced with alternate payees.<sup>19</sup> Further details are summarized by State in Table 1.

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<sup>17</sup> Under subsection (o)(2)(C) of the Privacy Act (5 U.S.C. § 552a), matching agreements, which govern the exchange of computerized data between agencies, shall not exceed 18 months. Further, under subsection (o)(2)(D) of the Privacy Act, the agreement may be extended for up to another 12 months.

<sup>18</sup> The funds were managed between the warrant date or the date the Rep Payee was selected (whichever was later) and April 2002 (for outstanding warrants) or the date of arrest.

<sup>19</sup> This estimate is the sum of each beneficiary's SSI and/or OASDI payment for January 2002 multiplied by 12 months—it presumes no change in eligibility during this time period. It also presumes the fugitive will not be arrested and subsequently have his or her suitability assessed under SSA's Prisoner-Rep Payee match.

**Table 1: Benefits Managed by Rep Payees**

State	Population Size	Sample Size	Rep Payees Who Were Fugitives Based on Confirmation of Warrant	Beneficiaries Whose Funds Were Managed By Fugitive Rep Payees	SSA Funds Managed
Alabama	28	28	3	4	\$ 43,959
California	1,390	123	41	51	1,204,270
Colorado	92	8	0	0	0
Idaho	20	20	4	6	130,179
Illinois	615	54	15	24	477,116
Iowa	77	7	2	7	23,955
Maine	8	8	0	0	0
New Mexico	12	12	1	1	7,166
Oregon	249	22	7	8	79,054
Texas	982	86	19	25	385,042
<b>Total</b>	<b>3,473</b>	<b>368</b>	<b>92</b>	<b>126</b>	<b>\$2,350,741</b>

**Types of Rep Payees and Beneficiaries**

Of the 126 beneficiaries in our sample whose funds were managed by fugitive Rep Payees, 29 were adults and 97 were under age 18. Additionally, most of the Rep Payees were the beneficiary’s parents. Table 2 shows the relationship between the Rep Payees and the beneficiaries whose funds were managed by these fugitives.

**Table 2: Relationship of Rep Payees to Beneficiaries**

Relationship of the Rep Payee to the Beneficiary	Number of Beneficiaries	Percent of Beneficiaries
Mother	84	67
Father	16	13
Grandparent	3	2
Other Relative	10	8
Spouse	2	2
Child	3	2
Other	8	6
<b>Total</b>	<b>126</b>	<b>100</b>

According to SSA's guide for Rep Payees,<sup>20</sup> almost all children under age 18 have Rep Payees, and the Payee is usually a parent. However, we believe SSA should determine whether fugitives are still suitable payees—even when the fugitives are the beneficiaries' parents.

For example, the mother of a beneficiary became a fugitive in March 1996 related to a felony drug violation. She was a fugitive for over 21 months before SSA appointed her as her son's Rep Payee in December 1997. Since 1997, she has managed benefits totaling more than \$50,000, and, as of September 2002, she was still the Rep Payee. We also estimate that she will manage an additional \$13,000 over the next 12 months. According to SSA's records,<sup>21</sup> the fugitive was using the beneficiary's payments for herself during 1998—not the beneficiary, and the beneficiary (who was under 18 years of age) lived with his grandparents at that time—not his mother (the Rep Payee). Nevertheless, SSA took no action to replace the Rep Payee with a more suitable Rep Payee.

## **LEGAL ISSUES AFFECTING MATCHES OF FUGITIVE AND REP PAYEE DATA**

The Privacy Act does not allow SSA to simply match the fugitive data it receives from law enforcement under the SSI program with the Agency's Rep Payee data.<sup>22</sup> The Privacy Act contains guidelines that must be met when SSA and other Federal, State, or local agencies share computerized data. Specifically, it prohibits the computerized exchange of data without a matching agreement that complies with 5 U.S.C. § 552a(o). SSA and law enforcement agencies need an agreement authorizing a match to identify fugitives who are serving as Rep Payees—regardless of whether the fugitives receive benefit payments under their own SSNs. SSA's fugitive matching agreements for the SSI program would need to be amended to specify Rep Payee screening as one of the purposes of data sharing.<sup>23</sup>

## **FUGITIVE REP PAYEE WORKLOAD**

Cases involving fugitive Rep Payees will be a new workload for SSA, but we believe resources should be expended to protect these vulnerable beneficiaries from potential Rep Payee abuse. Before the August 1996 SSI fugitive provisions, neither SSA nor its OIG obtained fugitive data from law enforcement.<sup>24</sup> Therefore, SSA did not have the means to identify fugitives who were serving as Rep Payees nor did it have the ability to

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<sup>20</sup> SSA Publication No. 05-10076, *A Guide For Representative Payees*, April 1997.

<sup>21</sup> This information was obtained from an SSA annotation on the beneficiary's Master Beneficiary Record.

<sup>22</sup> See 5 U.S.C. § 552a(o).

<sup>23</sup> The 3,473 individuals identified for this audit could not be provided to (a) SSA to assess the fugitives' suitability as Rep Payees or (b) law enforcement agencies to attempt arrest.

<sup>24</sup> This information only began being collected with the passage of Section 202 of Public Law 104-193, which prohibits SSI payments to fugitive felons or parole/probation violators.

screen new Rep Payee applicants prior to their selection. However, over the past 2 years, the Agency has made great strides in obtaining fugitive data from law enforcement for use under the SSI program.

Since SSA is now receiving fugitive data (and continues its efforts to identify and obtain these data from all available sources), the Agency could add a routine match with the MRPF as part of its operations. SSA could also develop a system to check a Rep Payee applicant for fugitive warrants prior to selecting the Payee. Checking Rep Payee applicants and existing Rep Payees for fugitive warrants, however, will create a new workload for SSA that will have to be addressed within the Agency's limited resources. SSA and/or OIG staff resources would be needed to

- renegotiate the current fugitive agreements to include screening for Rep Payee data;
- match the fugitive data with the MRPF;
- develop a system to check fugitive warrants for Rep Payee applicants;
- confirm the warrants with law enforcement agencies;
- assess the suitability of the fugitive Rep Payees identified by SSA;
- locate new Rep Payees and process the Rep Payee applications for the beneficiaries whose Rep Payees are found to be unsuitable;
- investigate potential misuse of Social Security funds by the fugitive Rep Payees; and
- track, monitor, and follow up on the cases identified.

## **THE SOCIAL SECURITY ADMINISTRATION'S EFFORTS TO SCREEN FOR FUGITIVE REP PAYEES**

SSA has taken several steps to identify former SSI recipients who are fugitives and continue to serve as Rep Payees. Specifically, SSA

- formed a work group in July 2002 to develop a policy for screening fugitive Rep Payees,
- matched an extract of the OIG Allegation and Case Investigative System with its Rep Payee data,
- started development of a processing guide,
- proposed to develop an Intranet site to control the fugitive Rep Payee screening workload, and
- issued policy instructions to address fugitive Rep Payees who are identified through the SSI Fugitive Felon Program.

SSA is also continuing its efforts to obtain fugitive data from all available law enforcement sources (for the SSI program), which could then be used to match with the MRPF if the Agency's fugitive agreements were amended to allow for such matches.

Additionally, in response to our October 2002 report, *Identifying Representative Payees Who Had Their Own Benefits Suspended Under the Fugitive Provisions of Public Law 104-193 (A-01-02-12073)*, SSA agreed with our recommendations and initiated assessments of the suitability of the fugitives identified during that audit who were also SSI recipients.

# Conclusions and Recommendations

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We believe individuals who have outstanding felony warrants may not be in the best position to serve as Rep Payees for Social Security funds. We acknowledge SSA's support for the fugitive Rep Payee legislation that has been introduced in Congress. However, to ensure SSA's efforts encompass all fugitives serving as Rep Payees—not just those who are also SSI recipients—we recommend SSA:

1. Enhance its current Rep Payee process to include fugitive felon data in its suitability determinations for new payee applicants.
2. Periodically validate its Rep Payee file against fugitive warrant data to identify existing Rep Payees who are fugitives and re-evaluate their suitability.

## AGENCY COMMENTS

SSA generally agreed with both of our recommendations. The Agency stated that using fugitive felon data to evaluate the suitability of new and existing Rep Payees would enhance the safeguards of its current process. However, SSA intends to wait for Congress to enact supportive legislation before implementing our recommended changes to its current system. (See Appendix B for SSA's comments.)

## OIG RESPONSE

We acknowledge the Agency's support for the fugitive Rep Payee provisions in section 103 of H.R. 743—introduced in Congress on February 12, 2003. We urge SSA to implement our recommendations as soon as the legislation is enacted, or, if not enacted during this congressional session, to reconsider its position to wait for legislation.

# *Appendices*

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## Sampling Methodology and Results

We obtained an extract from the Master Representative Payee File (MRPF) of all individual representative payees as of June 2001 from the Social Security Administration (SSA). We also obtained fugitive files from a random sample of 10 States.<sup>1</sup> For each State, we verified each fugitive’s name, Social Security number (SSN), sex, and date of birth using SSA’s Enumeration Verification Service to ensure the fugitives’ identities agreed with SSA’s records. We then matched the verified SSNs against our MRPF extract. The table below shows the number and type of fugitive warrants provided by each State.

State	Date Fugitive File Received from State	Fugitives in Original State File	Type of Fugitive Warrants in State File
Alabama	January 2000	4,295	Felons
California <sup>2</sup>	May 2000	246,138	Felons and misdemeanors
Colorado	April 2000	17,048	Felons
Idaho	August 1999	733	Felons
Illinois	February 1999	248,311	Felons and misdemeanors
Iowa	May 1999	38,702	Felons and misdemeanors
Maine	March 1999	1,158	Felons
New Mexico	February 1999	37,706	Felons and misdemeanors
Oregon	April 2000	117,775	Felons
Texas	February 1999	362,069 <sup>3</sup>	Felons and misdemeanors
<b>Total</b>		<b>1,073,935</b>	

Five of our 10 State fugitive files consisted of both felonies and misdemeanors. Therefore, we had to separate the felonies from the misdemeanors based on the file’s four-digit offense code.<sup>4</sup>

<sup>1</sup> The 10 States were randomly selected from a population of 46 States (including the District of Columbia). At the time of our initial review involving fugitives—in August 2000, the remaining five States were unable to provide electronic fugitive data to us. One of our 10 States (South Dakota) was unable to provide a fugitive file, so we randomly selected an alternate State (Alabama).

<sup>2</sup> The 10 States originally included Nebraska. However, we could not distinguish misdemeanors from felonies for Nebraska, and California, the next alternate State in our sample, was substituted.

<sup>3</sup> We were only able to use 184,672 of the 362,069 Texas fugitive records because of incomplete or duplicate (alias) information.

<sup>4</sup> Some States had a miscellaneous field on their fugitive files, which described the fugitive’s criminal charges in detail. We reviewed this field to refine our classification of felonies and misdemeanors.

Once we isolated the fugitive felons who were Rep Payees, we selected a random sample of records from each State. If a State had fewer than 50 fugitive Rep Payees, we reviewed all of the cases for that State; and for the States that had more than 50 records, we used proportion-to-size sampling. The table below shows the population and sample size for each State.

State	Population of Fugitives Who were Rep Payees	Proportion-to-Size (population of State divided by 3,405 subtotal of population)	Sample Size
California	1,390	0.408	123
Colorado	92	0.027	8
Illinois	615	0.181	54
Iowa	77	0.023	7
Oregon	249	0.073	22
Texas	982	0.288	86
<b>Subtotal</b>	<b>3,405</b>	<b>1.000</b>	<b>300</b>
Alabama	28	n/a	28
Idaho	20	n/a	20
Maine	8	n/a	8
New Mexico	12	n/a	12
<b>Grand Total</b>	<b>3,473</b>		<b>368</b>

For those sample cases where SSA's records showed the Rep Payees managed funds for other beneficiaries, we contacted the responsible law enforcement agency to confirm the fugitives were wanted on felony warrants or parole/probation violations. For fugitives confirmed to be wanted on felony or parole/probation violation charges, we calculated the amount of Social Security benefits managed by the Rep Payees.

We acknowledge that the inclusion of California in our sample, although chosen at random, had the possibility of providing projected results larger than expected. In consideration of this fact, we reduced the projections in this report by 28.8 percent.<sup>5</sup> We believe this 28.8 percent reduction ensures that the results are reasonable and representative of the results that would be found in all 46 States.

<sup>5</sup> We believe OASDI and SSI beneficiary data is useful in assessing the impact the State of California could have on our projected results. Using the data in Tables 5.K1 and 7.B1 in the Annual Statistical Supplement-Social Security Bulletin-2001, we determined that (a) 14.03 million individuals received OASDI and/or SSI benefits in the 10 States we sampled and (b) 45.95 million individuals received OASDI and/or SSI benefits in the 46 States in our population. A straight-line projection of the 14.03 million to the population of 46 States leads to an estimate of 64.53 million individuals who received OASDI and/or SSI benefits. In comparing the actual number of individuals receiving OASDI and/or SSI benefits in the 46 States (45.95 million) to this estimate (64.53 million), we determined the actual number of individuals receiving benefits was 71.2 percent of our estimate. Therefore, we adjusted our projected results to the 46 States accordingly.

We projected that approximately 3,145 fugitives served as Rep Payees, and these fugitives managed approximately \$81.2 million in Social Security benefits. We also projected that current fugitive Rep Payees will manage \$19.6 million over the next 12 months. Our sample results, projections and estimates are detailed in the following tables.

<b>Sample Results and Attribute Projections for Fugitives Serving as Rep Payees</b>				
<b>State</b>	<b>Population Size</b>	<b>Sample Size</b>	<b>Fugitives in Sample Who Managed Social Security Benefits</b>	<b>Projection of Fugitives Who Managed Social Security Benefits</b>
Alabama	28	28	3	3
California	1,390	123	41	463
Colorado	92	8	0	0
Idaho	20	20	4	4
Illinois	615	54	15	171
Iowa	77	7	2	22
Maine	8	8	0	0
New Mexico	12	12	1	1
Oregon	249	22	7	79
Texas	982	86	19	217
<b>10 State Total</b>	<b>3,473</b>	<b>368</b>	<b>92</b>	
<b>Projection to 46 States in Population</b>				<b>4,417</b>
<b>Projection Lower Limit</b>				<b>3,652</b>
<b>Projection Upper Limit</b>				<b>5,183</b>
<b>Adjusted Projection to Reflect 28.8 Percent Reduction</b>				<b>3,145</b>

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

<b>Sample Results and Dollar Projections for Fugitives Serving as Rep Payees</b>				
<b>State</b>	<b>Population Size</b>	<b>Sample Size</b>	<b>Amount of Social Security Benefits Managed by Fugitive Rep Payees</b>	<b>Dollar Projection of Social Security Benefits Managed by Fugitives</b>
Alabama	28	28	\$ 43,959	\$ 43,959
California	1,390	123	1,204,270	13,609,232
Colorado	92	8	0	0
Idaho	20	20	130,179	130,179
Illinois	615	54	477,116	5,433,816
Iowa	77	7	23,955	263,505
Maine	8	8	0	0
New Mexico	12	12	7,166	7,166
Oregon	249	22	79,054	894,746
Texas	982	86	385,042	4,396,641
<b>10 State Total</b>	<b>3,473</b>	<b>368</b>	<b>\$2,350,741</b>	
<b>Projection to 46 States in Population</b>				<b>\$113,984,522</b>
<b>Projection Lower Limit</b>				<b>\$20,253,834</b>
<b>Projection Upper Limit</b>				<b>\$207,715,210</b>
<b>Adjusted Projection to Reflect 28.8 Percent Reduction</b>				<b>\$81,156,980</b>

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

The funds listed in the table above were managed by fugitives serving as Rep Payees between the fugitive's warrant date or the date the fugitive was selected as a Rep Payee (whichever was later) and April 2002 (for outstanding warrants) or the date the fugitive was arrested. The time periods fugitives were paid as Rep Payees ranged from a low of 1 month to a high of 157 months (13 years). On average, the 92 fugitives managed funds as Rep Payees for 53 months, or 4 ½ years.

<b>Estimate of Future Funds Managed by Fugitive Rep Payees</b>					
<b>State</b>	<b>Population Size</b>	<b>Sample Size</b>	<b>Fugitive Rep Payees Managing Benefits as of January 2002</b>	<b>Monthly SSA Payment to Fugitives During January 2002</b>	<b>Projection of Monthly SSA Payments to Fugitives During January 2002</b>
Alabama	28	28	2	\$ 1,453	\$ 1,453
California	1,390	123	38	22,608	255,486
Colorado	92	8	0	0	0
Idaho	20	20	3	2,163	2,163
Illinois	615	54	9	7,729	88,025
Iowa	77	7	2	1,145	12,595
Maine	8	8	0	0	0
New Mexico	12	12	1	226	226
Oregon	249	22	5	2,707	30,637
Texas	982	86	15	9,404	107,381
<b>10 State Total</b>	<b>3,473</b>	<b>368</b>	<b>75</b>	<b>\$47,435</b>	<b>\$497,966</b>
<b>Projection to 46 States in Population</b>					<b>\$2,290,645</b>
<b>Projection Lower Limit</b>					<b>\$536,695</b>
<b>Projection Upper Limit</b>					<b>\$4,044,594</b>
<b>Annualized 10 Sample State Total (State Total X 12 Months)</b>					<b>\$5,975,592</b>
<b>Annualized Estimate for 46 States (Projection X 12 Months)<sup>6</sup></b>					<b>\$27,487,740</b>
<b>Adjusted Projection to Reflect 28.8 Percent Reduction<sup>7</sup></b>					<b>\$19,571,271</b>

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

<sup>6</sup> This is a non-statistical estimate.

<sup>7</sup> This is a non-statistical estimate.

**Agency Comments**



## SOCIAL SECURITY

MEMORANDUM

32112-24-894

Date: February 28, 2003

Refer To: S1J-3

To: James G. Huse, Jr.  
Inspector General

From: Larry W. Dye /s/  
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Screening Representative Payees for Fugitive Warrants" (A-01-02-12032)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let us know if we can be of further assistance. Staff questions can be referred to Trudy Williams on extension 50380.

Attachment:  
SSA Response

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “SCREENING REPRESENTATIVE PAYEES FOR FUGITIVE WARRANTS” (A-01-02-12032)

Thank you for the opportunity to review and comment on the subject draft report. SSA supports legislation (H.R. 4070) introduced in the 107<sup>th</sup> Congress that would disqualify individuals from serving as Rep Payees upon conviction of offenses resulting in imprisonment for more than one year or if the individual had fugitive felon status. (A similar bill, H.R. 743, was introduced in the 108<sup>th</sup> Congress.) The recommendations address some of the same concerns as this legislation in terms of providing further safeguards against misuse for those individuals who need a representative payee. The following are our comments to the specific recommendations:

Recommendation 1

SSA should enhance its current Representative Payee (Rep Payee) process to include fugitive felon data in its suitability determinations for new payee applicants.

Comment

We agree. Using fugitive felon data to evaluate the suitability of new and existing Representative Payees would enhance the safeguards of the current process. However, we believe a better and more efficient course is to make these changes to our current process only after the Congress enacts supportive legislation.

Recommendation 2

SSA should periodically validate its Rep Payee file against fugitive warrant data to identify existing Rep Payees who are fugitives and re-evaluate their suitability.

Comment

We agree. The comments to recommendation one above also apply to this recommendation.

[In addition to the items listed above, SSA also provided technical comments which have been addressed in this report.]

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## OIG Contacts and Staff Acknowledgments

### **OIG Contacts**

Rona Rustigian, Director, Northern Audit Division, (617) 565-1819

Judith Oliveira, Deputy Director, (617) 565-1765

### **Staff Acknowledgments**

In addition to those names above:

Joe Borowy, Auditor

Jeffrey Brown, Auditor

Kevin Joyce, Senior Auditor

Joe LoVecchio, Auditor

For additional copies of this report, please visit our web site at <http://www.ssa.gov/oig> or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-01-02-12032.

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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, rather than detecting problems after they occur.

### **Office of Executive Operations**

The Office of Executive Operations (OEO) supports the Office of the Inspector General (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.

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