
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**BENEFITS PAYABLE TO CHILD
BENEFICIARIES WHO NO LONGER
NEED REPRESENTATIVE PAYEES**

August 2010

A-09-09-29116

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: August 20, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees (A-09-09-29116)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure that child beneficiaries whose benefits were withheld because they did not have representative payees were paid when they attained age 18.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*. This program provides monthly benefits to retired and disabled workers, including their dependents and survivors.¹

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. SSA appoints representative payees to receive and manage these beneficiaries' payments.² When circumstances change or suggest a representative payee may no longer be suitable, SSA may suspend benefits and initiate a search for a new representative payee. SSA may also pay beneficiaries directly while it is searching for a new representative payee, unless it would cause the beneficiary substantial harm.³ In addition, under certain circumstances, child beneficiaries age 15 to 17 can be paid directly.⁴

¹ The *Social Security Act* § 201 *et seq.*, 42 United States Code § 401 *et seq.*

² SSA, Program Operations Manual System (POMS), GN 00502.001.A.

³ SSA, POMS, GN 00504.110.

⁴ SSA, POMS, GN 00502.070.A.1.

However, SSA cannot make direct payments to child beneficiaries under age 15 unless they have been legally emancipated.⁵ Finally, upon attaining age 18, unless direct payment is prohibited for other reasons, beneficiaries are presumed to be legally competent adults⁶ and no longer require representative payees solely based on their age.

To ensure SSA appoints representative payees timely, systems alerts are generated to SSA field offices for beneficiaries who have been suspended pending the selection of a representative payee. When these alerts are generated and a representative payee cannot be found, field office staff should initiate direct payment to beneficiaries unless the beneficiary is legally incompetent, is under age 15 and not legally emancipated,⁷ or has a drug addiction or alcoholism condition and direct payment is determined to be inappropriate.⁸ Alerts are generated to field offices each month until benefits are reinstated.⁹

We identified 13,739 previously entitled child beneficiaries over age 18 who had past due benefits that were withheld pending the selection of a representative payee. When these child beneficiaries attained age 18 and therefore were presumed capable of managing their own benefits, SSA should have paid the withheld benefits directly unless it had information that the beneficiaries had impairments that prevented them from managing their benefits.¹⁰

RESULTS OF REVIEW

SSA needed to improve controls to ensure child beneficiaries who attained age 18 were paid benefits that had been previously withheld pending the selection of a representative payee. Based on a random sample of 50 beneficiaries, we found SSA did not pay an estimated 13,464 beneficiaries approximately \$31.2 million in withheld benefits (see Appendix C). We also found that, when SSA suspended their benefits, 40 of the 50 beneficiaries were age 15 to 17 and therefore might have been eligible for direct payment.

Generally, these errors occurred because SSA did not generate a systems alert to identify beneficiaries who should have been paid withheld benefits when they attained

⁵ SSA, POMS, GN 00502.001 A, GN 00502.010 and GN 00502.070 A.

⁶ SSA, POMS, GN 00502.020 A.

⁷ GN 00502.070 A.

⁸ SSA, POMS, GN 00504.105 A.2 and GN 00502.010.

⁹ SSA, POMS, GN 00504.150 B.

¹⁰ SSA, POMS, GN 00504.110 A and GN 00502.020.

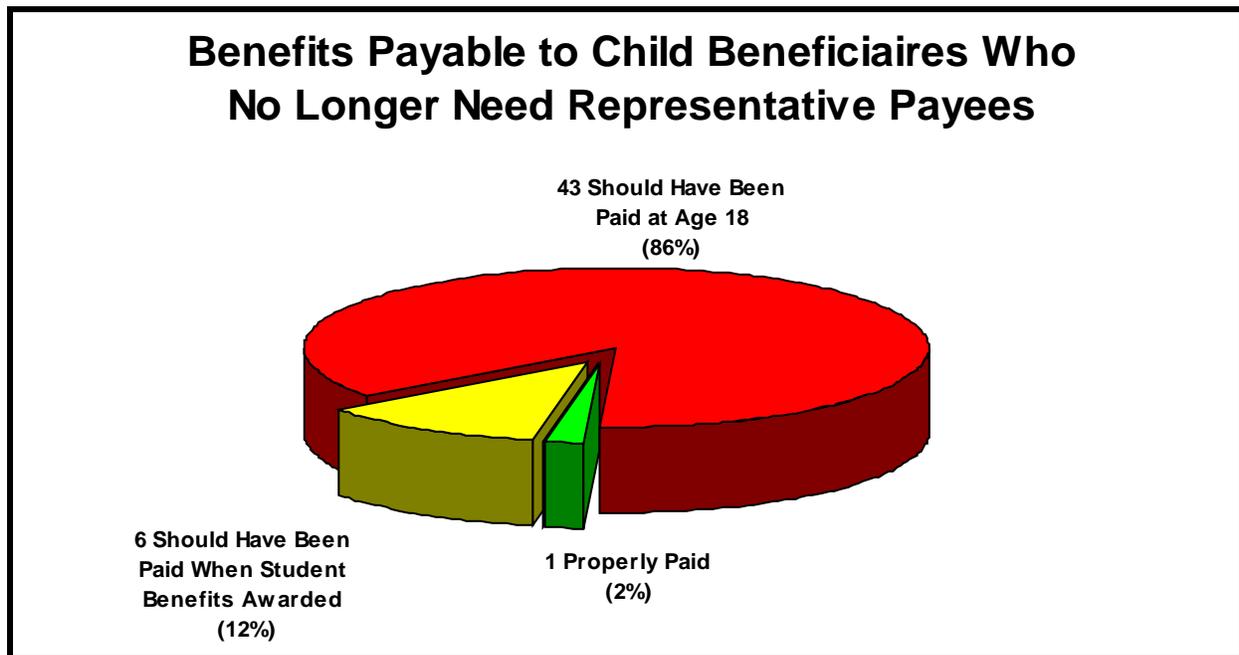
age 18 or SSA employees did not take corrective actions to pay withheld benefits when processing student awards when a child attained age 18.¹¹

WITHHELD BENEFITS WERE NOT PAID

SSA did not pay 49 (98 percent) of the 50 beneficiaries in our sample whose benefits were suspended pending the selection of a representative payee. Specifically, we found that

- 40 were not paid their withheld benefits when their benefits terminated at age 18;
- 3 had their benefits terminated when the wage earner's disability benefits ceased; however, they were not paid their withheld benefits when they attained age 18; and
- 6 were not paid their withheld benefits when they were awarded student benefits at age 18.

Our sample results are summarized below.



Withheld Benefits Were Not Paid When Children Attained 18

Generally, child beneficiaries may receive benefits until they marry or attain age 18. However, child beneficiaries who are full-time students at an elementary or secondary school or who are determined to be disabled may receive benefits beyond age 18.¹²

¹¹ Child beneficiaries may, subject to certain conditions, receive benefits beyond age 18 if they are full-time students at an elementary or secondary school. SSA, POMS, RS 00205.001 A.

¹² SSA POMS, RS 00203.001 A.1 and RS 00203.035.

According to SSA policy, benefits can be suspended for a maximum of 1 month while SSA is searching for a representative payee if direct payment to an incapable beneficiary would cause the beneficiary substantial harm.¹³ However, the 1-month restriction does not apply to beneficiaries who are legally incompetent, under age 15, or who have a drug addiction or alcoholism condition.¹⁴ SSA policy states that the representative payee issue should be resolved as quickly as possible for those beneficiaries who are legally incompetent or under age 15.¹⁵ Monthly alerts are generated to SSA field offices for beneficiaries who have been in suspense for 4 months.¹⁶ When the alert is generated and a representative payee cannot be found, field offices should initiate direct payment to the beneficiary unless the beneficiary is legally incompetent, is under age 15, or has a drug addiction or alcoholism condition and is determined incapable of receiving benefits.¹⁷ However, once a beneficiary is no longer suspended pending the selection of a representative payee, alerts are no longer generated.¹⁸ In the case of child beneficiaries, there is no systems alert to ensure that previously withheld benefits are paid when the child attains age 18 and benefits are terminated.

Our review disclosed that 40 (80 percent) of the 50 children in our sample had their benefits terminated when they attained age 18, and 3 (6 percent) had their benefits terminated before age 18. These 43 beneficiaries were not paid \$108,746 in previously withheld benefits. Generally, this occurred because systems alerts were not generated or SSA staff did not take any corrective actions to ensure the withheld benefits were paid directly to the beneficiaries, as required.

For example, in March 1999, SSA suspended a child's benefits pending the selection of a representative payee. In July 2004, SSA automatically terminated the child's benefits when he attained age 18. Although the beneficiary was age 18 and presumed to be capable, SSA did not pay \$29,678 in previously withheld benefits.

Withheld Benefits Were Not Paid When Student Benefits Were Awarded at Age 18

Generally, payments to child beneficiaries terminate when they attain age 18. However, SSA awards student benefits to child beneficiaries beyond age 18 who are full-time students at an elementary or secondary school. Additionally, to receive student

¹³ SSA, POMS, GN 00504.105 A.2.a.

¹⁴ SSA, POMS, GN 00504.105.A.2.a-c. Substantial harm is presumed to exist for beneficiaries who are legally incompetent or under age 15.

¹⁵ SSA, POMS, GN 00504.105 A.2.b.

¹⁶ SSA, POMS, SM 03020.150 D.1.

¹⁷ SSA, POMS, GN 00504.105 A.2 and GN 00502.010.

¹⁸ SSA, POMS, GN 00504.150 B.

benefits, the student must have a school official certify his or her attendance.¹⁹ After full-time attendance has been certified, any benefits due must be paid directly to the student unless direct payment is prohibited for other reasons.²⁰

Our review found that for 6 (12 percent) of the 50 beneficiaries in our sample, SSA awarded student benefits when the child attained age 18, made them their own payee, and paid their current benefits. However, SSA did not pay the previously withheld benefits. This occurred because SSA employees did not properly review the beneficiaries' payment record and take corrective actions to pay the previously withheld benefits. As a result, the six beneficiaries were not paid \$4,627.

For example, in October 1996, SSA suspended a child's benefits pending selection of a representative payee. In February 1997, SSA awarded the child student benefits at age 18, made him his own payee, and paid current benefits. However, SSA did not pay the previously withheld benefits of \$1,376.

CONCLUSIONS AND RECOMMENDATIONS

SSA did not always ensure child beneficiaries who attained age 18 were paid benefits that had been previously withheld pending the selection of a representative payee. Based on a random sample of 50 child beneficiaries, we determined that SSA should have taken corrective actions to pay approximately \$31.2 million in withheld benefits to an estimated 13,464 child beneficiaries (see Appendix C). These errors generally occurred because SSA did not generate a systems alert to identify beneficiaries who should be paid withheld benefits when they attained age 18 or SSA employees did not take corrective actions to pay withheld benefits when processing student awards when a child attained age 18. Therefore, we recommend that SSA:

1. Take corrective action to resolve the benefits withheld from the 49 beneficiaries identified by our audit.
2. Identify and take corrective action on the population of child beneficiaries over age 18 whose benefits were withheld pending the selection of a representative payee.
3. Improve controls to ensure that child beneficiaries who are capable of managing their benefits are paid any benefits that were withheld pending the selection of a representative payee.
4. Remind SSA employees to review beneficiaries' payment records when awarding student benefits and to take corrective actions to pay previously withheld benefits.

¹⁹ SSA, POMS, RS 00205.400 B.

²⁰ SSA, POMS, GN 00502.020 A.

AGENCY COMMENTS

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

OTHER MATTERS

Generally, benefits should not be suspended while SSA is searching for a new representative payee.²¹ Instead, SSA must make direct payment to a beneficiary, unless the beneficiary is legally incompetent, is under age 15 (unless they have been legally emancipated), or has a drug addiction or alcoholism condition and is determined incapable of receiving benefits.²² However, SSA policy states that child beneficiaries age 15 to 17 may be considered capable of managing their benefits. This may occur for beneficiaries who are

- entitled to benefits based on their own earnings;
- on active duty in the armed forces;
- living alone and supporting themselves;
- parents who filed for their own or their child's benefits and have experience in handling finances;
- demonstrated the ability to handle finances and no qualified representative payee is available; or
- within 7 months of attaining age 18 and are initially filing an application for benefits.²³

We found that 40 child beneficiaries in our sample were age 15 to 17 when their benefits were initially suspended pending the selection of a representative payee. However, we found no evidence that SSA determined whether they were capable of managing their benefits.



Patrick P. O'Carroll, Jr.

²¹ SSA, POMS, GN 00504.150 A and GN 00504.105 A.2.a and b.

²² SSA, POMS, GN 00504.105 A.2 and GN 00502.010.

²³ 20 C.F.R. §404.2010 and SSA, POMS, GN 00502.070 A.1 and B.2.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration

Scope and Methodology

In May 2009, we obtained a data extract from the Social Security Administration's (SSA) Master Beneficiary Record (MBR). From this extract, we identified a population of 13,739 child beneficiaries between ages 18 and 40 whose MBR contained a history of suspense for the development of a representative payee. From this population, we randomly selected a sample of 50 beneficiaries for review.

To accomplish our objective, we

- reviewed applicable Federal laws and regulations as well as SSA's Program Operations Manual System and other policy memorandums;
- interviewed SSA employees from the Western Program Service Center, San Rafael Field Office, and Office of Income Security Programs; and
- reviewed queries from SSA's MBR and (when necessary) the Payment History Update System for each sample item.

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

We evaluated the adequacy of SSA's controls to ensure child beneficiaries who attained age 18 were paid benefits that had been previously withheld pending the selection of a representative payee. The amounts reported represent the total benefit payments withheld from the child beneficiaries after their benefits were suspended for representative payee development. For our sample, benefits withheld were for the period June 1978 through July 2008.

We performed our audit in Richmond, California, between October 2009 and January 2010. The entities reviewed were the Offices of the Deputy Commissioners for Operations and Systems.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology and Results

From the Social Security Administration’s (SSA) Master Beneficiary Record, we identified 13,739 previously entitled child beneficiaries between ages 18 and 40. As child beneficiaries, these individuals had their benefits withheld because SSA’s selection of a representative payee was pending. These child beneficiaries were of an age to be presumed capable. Therefore, SSA should have paid their withheld benefits. We randomly selected a sample of 50 beneficiaries and reviewed their payment records to determine whether SSA paid the children the benefits that had been withheld. If the beneficiary had not been paid the benefits, we calculated the number of months of suspended benefits and calculated the amount of benefits payable.

Of the 50 child beneficiaries in our sample, we found that SSA did not pay 49 beneficiaries \$113,423 in benefits that had been withheld. Projecting these results to our population of 13,739 beneficiaries, we estimate SSA had not taken corrective actions to pay approximately \$31.2 million in withheld benefits to an estimated 13,464 child beneficiaries. The following tables provide the details of our sample results and statistical projections.

Table 1 – Population and Sample Size

Description	Number of Records
Population Size	13,739
Sample Size	50

Table 2 – Statistical Projections

Description	Number of Records	Withheld Benefits
Sample Results	49	\$113,423
Point Estimate	13,464	\$31,166,262
Projection - Lower Limit	12,486	\$16,043,313
Projection - Upper Limit	13,724	\$46,289,211

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

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 02, 2010

Refer To: S1J-3

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

From: James A. Winn /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees" (A-09-09-29116)—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 findings and recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment

Office of the Inspector General (OIG) Draft Report, "Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees" (A-09-09-29116)

Thank you for the opportunity to review the subject report. Please see our comments below on your four recommendations and the issues included in "Other Matters." We also offer a number of technical comments to enhance the accuracy of the report.

Recommendation 1

Take corrective action to resolve the benefits withheld from the 49 beneficiaries identified by our audit.

Response

We agree. Please provide us with the 49 cases, and we will investigate each one. Where appropriate, we will take corrective actions and issue payments to beneficiaries.

Recommendation 2

Identify and take corrective action on the population of child beneficiaries over age 18 whose benefits were withheld pending the selection of a representative payee.

Response

We agree. You identified 13,739 cases where we withheld benefits. You estimate we should have already paid 98 percent or 13,464 of these beneficiaries. Your estimate notwithstanding, we must review all 13,739 cases and assess each one individually. This will take some time, but we hope to complete the review by the end of the calendar year. We will first work the 49 cases described under Recommendation 1.

Recommendation 3

Improve controls to ensure that child beneficiaries who are capable of managing their benefits are paid any benefits that were withheld pending the selection of a representative payee.

Response

We agree. While we already have an automated system in place to identify these cases, we will issue a policy reminder and instruct our employees to take appropriate actions in future cases of this type to determine if we may directly pay child beneficiaries who are ages 15 to 17. We will emphasize that employees must maintain proper documentation for these decisions, and we will instruct employees to change suspension status in the system to "whereabouts unknown" when they are unsuccessful in locating a beneficiary.

Recommendation 4

Remind SSA employees to review beneficiaries' payment records when awarding student benefits and to take corrective actions to pay previously withheld benefits.

Response

We agree. We will include this instruction in the policy reminder described in recommendation 3.

Other Matters

In this section you say:

“We found that 40 of the child beneficiaries in our sample were age 15 to 17 when their benefits were initially suspended pending the selection of a representative payee. However, we found no evidence that SSA determined whether they were capable of managing their benefits.”

Comment:

This relates to your third recommendation. When we issue the policy reminder described above in our response to recommendation 3, we will include information on the policy regarding direct payment to minors age 15 to 17.

[SSA also provided technical comments that have been addressed, where appropriate, in this report.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

Acknowledgments

In addition to those named above:

Regina Finley, Senior Auditor

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