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Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Controls over the Issuance of
Supplemental Security Income
Installment Payments

A-09-11-21194 | March 2013

MEMORANDUM

Date: March 21, 2013

Refer To:

To: The Commissioner

From: Inspector General

Subject: Controls over the Issuance of Supplemental Security Income Installment Payments
(A-09-11-21194)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration had adequate controls to ensure it paid Supplemental Security Income underpayments in accordance with its installment payment requirements.

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.



Patrick P. O'Carroll, Jr.

Attachment

Controls over the Issuance of Supplemental Security Income Installment Payments

A-09-11-21194



March 2013

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls to ensure it paid Supplemental Security Income (SSI) underpayments in accordance with its installment payment requirements.

Background

The SSI program provides a minimum level of income to financially needy individuals who are aged, blind, or disabled. An underpayment occurs when the amount due a recipient is greater than the amount paid during a period of eligibility. SSI underpayments must be paid by installments when they equal or exceed 3 times the current maximum individual Federal benefit amount plus the individual's federally administered State supplement. When a recipient is in a suspended or terminated status, SSA employees must manually control the underpayments to ensure they are paid accurately and timely.

Our Findings

Generally, SSA had effective controls to ensure it properly paid underpayments in accordance with its installment payment requirements to SSI recipients in current pay status. However, SSA needs to improve controls to ensure it pays underpayments to recipients whose payments had been suspended or terminated. We estimate that SSA had not paid about \$55.3 million in underpayments to 13,334 recipients.

These underpayments were not paid because SSA employees did not establish controls to ensure it paid the underpayments after the recipients' SSI payments were suspended or terminated. Specifically, SSA employees had not established diaries to control the issuance of the underpayments to these recipients. Without these diaries, the underpayments may never be paid.

Our Recommendations

We recommend that SSA:

1. Take corrective action, as appropriate, for the 115 recipients identified by our audit.
2. Evaluate the results of its corrective action for the 115 recipients and determine whether it should review the population we identified of underpaid recipients in a suspended or terminated status.
3. Remind employees to prepare diaries to control the issuance of underpayments to recipients in a suspended or terminated status.

SSA agreed with all our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
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

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls to ensure it paid Supplemental Security Income (SSI) underpayments in accordance with its installment payment requirements.

BACKGROUND

SSA administers the SSI program under Title XVI of the *Social Security Act*.¹ The SSI program provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.² The SSI program requires that individuals' needs be matched with their financial circumstances each month to determine eligibility and payment amounts. Changes in individual financial circumstances require that SSA reassess and verify recipients' eligibility and payment amounts.

SSI underpayments occur because of changes in recipients' non-medical eligibility factors, such as earned/unearned income or living arrangements. As these changes occur, recipients' eligibility and payment amounts can change from month to month. An underpayment occurs when the amount due a recipient is greater than the amount paid during a period of eligibility. In general, SSA must pay an underpayment to a recipient the month after SSA determines it exists.³ However, SSA must reduce underpayments to recover existing overpayments.⁴ If there is no overpayment and the recipient is alive, the underpayment should be paid to the recipient. If the recipient is deceased, the underpayment should be paid to a spouse or parent if the deceased recipient was living with the spouse or parent at the time of death or within the 6 months immediately preceding the month of death.⁵

¹ *Social Security Act* § 1601 *et seq.*, 42 U.S.C. 1381 *et seq.*; *see also* 20 C.F.R. § 416.101 *et seq.*

² *Social Security Act* § 1602, 42 U.S.C. 1381a; *see also* 20 C.F.R. § 416.110.

³ 20 C.F.R. § 416.538; *see also* SSA, POMS, SI 02101.002 (December 15, 2004).

⁴ 20 C.F.R. § 416.543.

⁵ 20 C.F.R. § 416.542.

SSI underpayments must be paid by installments when they equal or exceed 3 times the current maximum individual Federal benefit amount (FBR) plus the individual's federally administered State supplement.⁶ Installment payments must be paid in no more than three payments made at 6-month intervals. The first and second installment payments cannot exceed three times the FBR plus any State supplement. The third and final installment includes any remaining underpayment.⁷

SSA is required to suspend SSI payments for any month in which an individual does not meet the eligibility requirements. For example, if a recipient does not provide information needed to determine continuing SSI eligibility, SSA will suspend payments. In addition, after 12 consecutive months of suspension, SSI payments are generally terminated.⁸ After SSA has terminated payments, the individual must file a new application to reestablish eligibility for SSI. When this occurs, SSA will establish a new SSI record for the application or period of eligibility. SSI underpayments are usually payable when a recipient's SSI payments are suspended or terminated.⁹ However, when this occurs, SSA employees must establish controls to ensure the underpayments are paid.¹⁰ The employee must manually prepare a diary because SSA's systems do not do so automatically.

For our review, we identified 122,533 recipients in current pay status as of March 2011 with underpayments totaling \$810.7 million on the Supplemental Security Record (SSR). In addition, we identified 23,189 recipients on the SSR whose payments were suspended or terminated between January 2007 and March 2011 with underpayments totaling \$125 million.

RESULTS OF REVIEW

Generally, SSA had effective controls to ensure it properly paid underpayments in accordance with its installment payment requirements to SSI recipients in current pay status. Our review of a random sample of 50 recipients in current pay status found that SSA properly paid 49 (98 percent) recipients and improperly withheld an underpayment to 1 recipient.

We also found that SSA needs to improve controls to ensure it pays underpayments to recipients whose payments had been suspended or terminated. Based on our random sample of

⁶ 20 C.F.R. § 416.545. In 2011, the maximum FBR for an individual was \$674. In 2011, underpayments of \$2,022 or more were subject to installments for individuals who resided in States without a federally administered State supplement.

⁷ SSA, POMS, SI 02101.020 (March 1, 2012).

⁸ 20 C.F.R. § 416.1335.

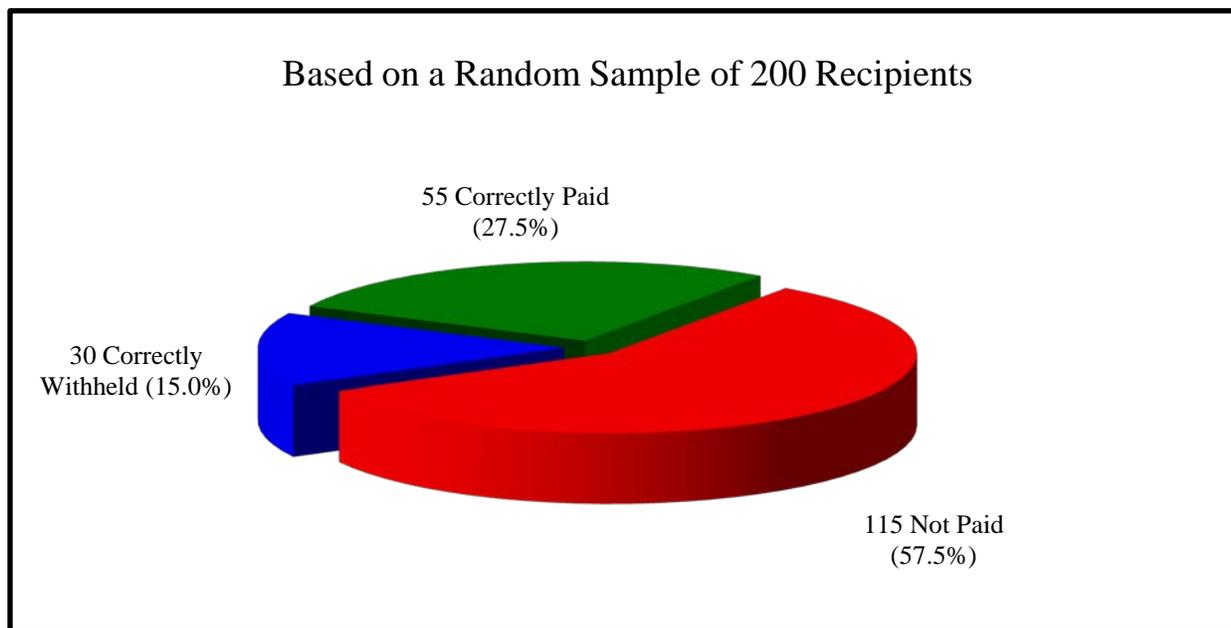
⁹ Underpayments are not payable if recipients are incarcerated (20 C.F.R. § 416.1339) or if their whereabouts are unknown (SSA, POMS, SI 02301.240; July 16, 2008).

¹⁰ SSA, POMS, SI 02101.020 (March 1, 2012).

200 recipients in suspended or terminated status, we estimated that SSA had not paid approximately \$55.3 million in underpayments to 13,334 recipients. We are 90-percent confident the number of recipients ranged from 11,936 to 14,693, and the underpayments ranged from \$47.8 to \$62.9 million (see Appendix A).

SSA did not pay the underpayments because its employees did not establish controls to ensure they paid the underpayments after the recipients' SSI payments were suspended or terminated. Of the 200 recipients in our sample, SSA did not pay 115 (57.5 percent). SSA correctly paid 55 recipients (27.5 percent) their underpayments and properly withheld underpayments for 30 recipients (15 percent) because they were incarcerated; their whereabouts were unknown; or they were ineligible for the payment. The following chart summarizes the results of our review.

Figure 1: Suspended or Terminated SSI Recipients with Underpayments



Controls over the Issuance of Installment Payments

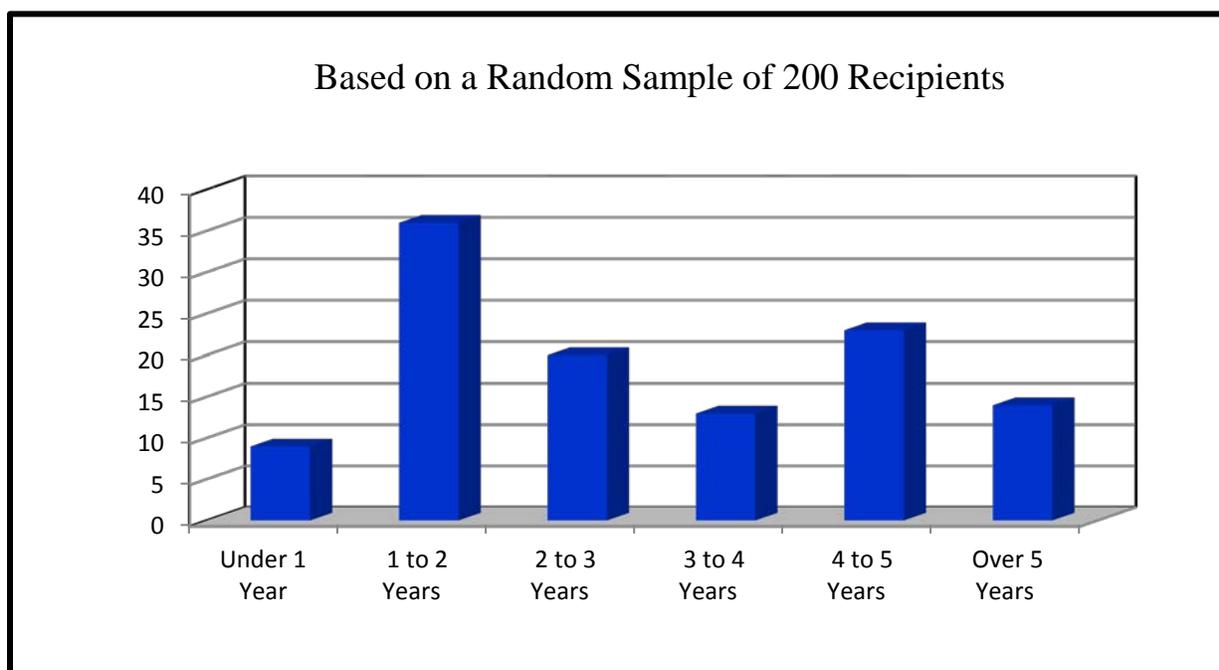
SSA has automated controls to ensure it pays underpayments to SSI recipients in current pay status. These controls include paying the recipient the proper amounts in 6-month intervals, recording the payment information on the recipient's SSR, and sending the recipient a notice to explain the installment provisions and amounts to be paid.¹¹ However, when a recipient is in a suspended or terminated status, SSA employees must manually control the underpayments to ensure they are paid accurately and timely and it sends notices to the recipients. This requires that SSA employees establish diaries to control the issuance of the installment payments. After

¹¹ SSA, POMS, SI 02101.020 (March 1, 2012).

the diaries mature, SSA employees must take appropriate actions to issue an installment payment and establish a new diary if additional installment payments are payable.

Our review disclosed that SSA did not pay 115 (57.5 percent) of the 200 recipients in our sample. As a result, SSA improperly withheld \$477,315 in underpayments to these recipients. The average time SSA did not pay these underpayments was 38.1 months (about 3.2 years).¹² As depicted in the chart below, SSA did not pay 14 recipients underpayments that had been payable for 5 years or longer.

Figure 2: Underpayments Not Paid



We found that the recipients were not paid because SSA employees did not control the issuance of underpayments after the recipient's SSI payments were suspended or terminated. At the time of our review, SSA employees had not established diaries to control for the issuance of the underpayments for any of the 115 recipients. Without these diaries, the underpayments may never be paid.

For example, in October 2009, SSA determined a recipient was underpaid \$7,572 because of a change in his living arrangements. SSA paid the recipient the first \$2,022 installment in November 2009. However, the SSA employee did not establish a diary to control the issuance of the remaining \$5,550 to the recipient. As of October 2012, the \$5,550 underpayment had not been paid.

¹² The mean was 38.1 months, and the median was 34 months.

CONCLUSIONS

Generally, SSA had effective controls to ensure it properly paid underpayments to SSI recipients in current pay status. However, SSA needs to improve controls to ensure it pays SSI underpayments to recipients whose payments had been suspended or terminated. Based on a random sample of 200 recipients in suspended or terminated status, we estimated that SSA had not paid about \$55.3 million in underpayments to 13,334 recipients (see Appendix B). These underpayments were not paid because SSA employees did not establish controls to ensure the Agency paid the underpayments after the recipients' SSI payments were suspended or terminated.

RECOMMENDATIONS

We recommend that SSA:

1. Take corrective action, as appropriate, for the 115 recipients identified by our audit.
2. Evaluate the results of its corrective action for the 115 recipients and determine whether it should review the population we identified of underpaid recipients in a suspended or terminated status.
3. Remind employees to prepare diaries to control the issuance of underpayments to recipients in a suspended or terminated status.

AGENCY COMMENTS

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

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

From the Social Security Administration's (SSA) Supplemental Security Record (SSR), we obtained two data extracts in March 2011. From these data extracts, we identified two populations for review. The first population consisted of 122,533 recipients in current pay status that had an underpayment greater than \$1,800. From this population, we selected a random sample of 50 recipients for review. The second population consisted of 23,189 SSI recipients whose payments were suspended or terminated between January 2007 and March 2011 and who had an underpayment greater than \$1,800. From this population, we randomly selected a sample of 200 recipients for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, Federal regulations, and SSA's Program Operations Manual System (POMS);
- interviewed SSA employees from the Western Program Service Center;
- reviewed queries from SSA's SSR for each sample item to determine whether SSA had issued underpayments to SSI recipients in accordance with SSA's policies and procedures; and
- reviewed SSA's Modernized Supplemental Security Income Claims System, Modernized Development Worksheet, and Online Retrieval System to obtain information regarding the underpayments.

We determined the computer-processed data from the SSR 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 performed our audit in Richmond, California, between March and October 2012. 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.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained two data extracts from the Supplemental Security Record (SSR) and identified two populations for review. The first population consisted of 122,533 Supplemental Security Income (SSI) recipients in current pay status who had an underpayment greater than \$1,800. From this population, we randomly selected a sample of 50 recipients and reviewed the SSR to determine whether the underpayments had been paid. Of the 50 recipients in our sample, we found that the Social Security Administration (SSA) had properly paid 49 (98 percent) recipients and improperly withheld an underpayment to 1 recipient.

Our second population consisted of 23,189 SSI recipients in a suspended or terminated payment status who had an underpayment greater than \$1,800. From this population, we randomly selected a sample of 200 recipients and reviewed the SSRs to determine whether the underpayments had been paid. Of the 200 recipients in our sample, we found that SSA had not paid 115 recipients (57.5 percent) underpayments totaling \$477,315. Projecting these results to our population of 23,189 recipients, we estimate that SSA had not paid 13,334 recipients underpayments totaling approximately \$55.3 million. The following tables provide the details of our sample results and statistical projections.

Table B-1: Population and Sample Size

Description	Number of Recipients
Population Size	23,189
Sample Size	200

Table B-2: Underpayments Not Paid

Description	Number of Recipients	Underpayment Amount
Sample Results	115	\$477,315
Point Estimate	13,334	\$55,342,288
Projection - Lower Limit	11,936	\$47,823,684
Projection - Upper Limit	14,693	\$62,860,892

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: March 04, 2013

Refer To: S1J-3

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

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Controls over the Issuance of Supplemental Security Income Installment Payments" (A-09-11-21194)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“CONTROLS OVER THE ISSUANCE OF SUPPLEMENTAL SECURITY INCOME
INSTALLMENT PAYMENTS” (A-09-11-21194)**

Recommendation 1

Take corrective action, as appropriate, for the 115 recipients identified by our audit.

Response

We agree.

Recommendation 2

Evaluate the results of its corrective action for the 115 recipients and determine whether it should review the population we identified of underpaid recipients in a suspended or terminated status.

Response

We agree.

Recommendation 3

Remind employees to prepare diaries to control the issuance of underpayments to recipients in a suspended or terminated status.

Response

We agree.

Appendix D – MAJOR CONTRIBUTORS

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

James Sippel, Senior Auditor

Wilfred Wong, Audit Data Specialist

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