



## SOCIAL SECURITY

### MEMORANDUM

Date: March 25, 2004

Refer To:

To: Peter D. Spencer  
Regional Commissioner  
California

From: Assistant Inspector General  
for Audit

Subject: Interim Assistance Reimbursement to Los Angeles County, California, Under the Supplemental Security Income Program (A-13-02-12039)

The attached final report presents the results of our audit. Our objectives were to determine whether the Los Angeles County, California, Department of Public Social Services (1) calculated and deducted the correct amount of interim assistance from the retroactive Supplemental Security Income payments received from the Social Security Administration and provided the balance to the recipient timely and (2) returned to the Agency any excess amounts that could not be remitted to the recipient.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Shirley E. Todd, Director, General Management Audit Division, at (410) 966-9365.

A handwritten signature in black ink that reads "Steven L. Schaeffer".

Steven L. Schaeffer

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**INTERIM ASSISTANCE  
REIMBURSEMENT TO  
LOS ANGELES COUNTY, CALIFORNIA,  
UNDER THE SUPPLEMENTAL  
SECURITY INCOME PROGRAM**

**March 2004**

**A-13-02-12039**

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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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## **OBJECTIVES**

Our objectives were to determine whether the Los Angeles County, California, Department of Public Social Services (DPSS) (1) calculated and deducted the correct amount of interim assistance from the retroactive Supplemental Security Income (SSI) payments received from the Social Security Administration (SSA) and provided the balance to the recipient timely and (2) returned to the Agency any excess amounts that could not be remitted to the recipient.

## **BACKGROUND**

In 1974, the Congress established the SSI program under Title XVI of the Social Security Act. The SSI program provides a minimum income level to financially needy individuals who are aged, blind, or disabled. These individuals may qualify for payments under the SSI program upon filing an application with SSA.

Many SSI applicants need financial aid before SSA can establish eligibility. Therefore, States may enter into an agreement with SSA whereby the States provide the individual interim assistance from State funds. Upon determining the applicant's eligibility for SSI, SSA reimburses the State or local government for payments made to the recipient from State funds. This coordinated Federal/State program is called the Interim Assistance Reimbursement (IAR) program. During State Fiscal Years (SFY) July 1, 1999 through June 30, 2001, SSA made about \$460 million IAR-related payments to 38 States and the District of Columbia.

## **RESULTS OF REVIEW**

We found:

- interim assistance reimbursement authorizations could not always be provided;
- payments of residual balances due to SSI recipients were not always paid timely;
- undeliverable payments due to SSI recipients were not always refunded timely to SSA; and
- payments due to SSI recipients were not always paid timely or in appropriate amounts.

## **CONCLUSIONS AND RECOMMENDATIONS**

Generally, we found DPSS calculations of payments due to SSI recipients and its reimbursable amounts from the retroactive SSI payments complied with applicable policies. However, DPSS should have available appropriate documentation authorizing it to reimburse itself from the retroactive payments received from SSA. Further, DPSS should develop and implement written policies and procedures to improve timeliness of providing certain payments to SSI recipients and forwarding undeliverable payments to SSA.

SSI recipients are aged, blind, or disabled individuals with limited income and resources. Consequently, it is imperative that these individuals receive all benefit payments due them as soon as possible. We believe SSA has a stewardship responsibility to ensure that all SSI-related payments are made timely and in the appropriate amount.

We recommend SSA:

- Instruct DPSS to produce the IAR authorizations for the 36 and 38 sample cases in SFYs 2000 and 2001, respectively, or determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.
- Instruct DPSS to determine the extent to which unauthorized reimbursements were made from retroactive SSI payments in SFYs 2000 and 2001, and SSA should determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.
- Instruct DPSS to cease its practice of deferring case reviews for 90 days in instances where the State's final assistance payments are included in its reimbursement amounts.
- Clarify the “prescribed time limit” for refunding to SSA undeliverable payments due SSI recipients.
- Ensure DPSS makes payments totaling \$1,411 due to one SSI recipient.

## **AGENCY COMMENTS**

SSA agreed with our recommendations. Regarding Recommendation 2, DPSS has agreed to conduct a self-audit of a 5 percent random sample of the approximately 14,000 cases with IAR reimbursements to determine the extent of the unauthorized reimbursements made in SFYs 2000 and 2001. The Agency stated that it would assist DPSS with questions surfacing during the self-audit. However, due to staffing constraints, SSA will be unable to review the random sample of approximately 700 cases. For Recommendation 3, SSA stated it is pleased to see that DPSS has

taken action to conduct more expeditious review of its reimbursement cases to ensure timely refunds are made to SSI individuals.

## **DPSS COMMENTS**

DPSS agreed with our recommendations. DPSS stated it has implemented 3 of the 5 recommendations and plans to implement the remaining 2 recommendations during 2004. Further, DPSS indicated that for Recommendation 1, if IAR authorization forms are not locatable, it would refund IARs as appropriate.

## **OIG RESPONSE**

If DPSS determines through its random sample of 14,000 IAR cases that a significant amount of payments were not supported by appropriate documentation, then DPSS should refund all unsupported payments. With respect to Recommendation 5, DPSS stated that it sent a check to the SSI recipient on July 3, 2000 and the recipient negotiated the check on October 6, 2000. We have verified this fact. However, as of the date of this report, we have not received documentation to verify DPSS's implementation of Recommendations 3 and 4. We support and encourage SSA and DPSS to continue to take actions to address the areas of concern noted in this report.

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## *Acronyms*

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DPSS	Department of Public Social Services
IAR	Interim Assistance Reimbursement
OIG	Office of the Inspector General
SFY	State Fiscal Year
SSA	Social Security Administration
SSI	Supplemental Security Income



## OBJECTIVES

Our objectives were to determine whether the Los Angeles County, California, Department of Public Social Services (DPSS) (1) calculated and deducted the correct amount of interim assistance from the retroactive Supplemental Security Income (SSI) payments received from the Social Security Administration (SSA) and provided the balance to the recipient timely and (2) returned to the Agency any excess amounts<sup>1</sup> that could not be remitted to the recipient.

## BACKGROUND

In 1974, the Congress established the SSI program under Title XVI of the Social Security Act.<sup>2</sup> The SSI program provides a minimum income level to financially needy individuals who are aged, blind, or disabled.<sup>3</sup> These individuals may qualify for payments under the SSI program upon filing an application with SSA.<sup>4</sup>

Many SSI applicants need financial aid before SSA can establish eligibility. Therefore, States may enter into an agreement with SSA whereby the States provide individuals interim assistance from State funds. Upon determining the applicant's eligibility for SSI, SSA reimburses the State or local government for payments made to recipients from State funds. This coordinated Federal/State program is called the Interim Assistance Reimbursement (IAR) program.

Section 1631(g)(4) of the Social Security Act,<sup>5</sup> SSA regulation,<sup>6</sup> and the IAR State Handbook<sup>7</sup> contain guidance that governs the distribution of retroactive payments to SSI recipients. The SSA regulation states, "...an interim agreement must be in effect between us [SSA] and the State if we are to repay the State for interim assistance." This regulation provides, in part, that the agreement require that the State:

- deduct the correct amount of IAR payments from the retroactive SSI payments;

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<sup>1</sup> The amount of retroactive SSI payment that remains after DPSS deducts the interim financial assistance it provided the recipient.

<sup>2</sup> Public Law 92-603, 42 U.S.C. § 1381 et seq.

<sup>3</sup> 42 U.S.C. § 1381.

<sup>4</sup> 42 U.S.C. § 1381a.

<sup>5</sup> 42 U.S.C. § 1383(g)(4).

<sup>6</sup> 20 C.F.R. § 416.1910.

<sup>7</sup> SSA Interim Assistance Reimbursement State Handbook, Publication 17-007, Section 3 - IAR Agreement, P. 3, February 1990.

- issue any remaining retroactive SSI payments to the individual (or representative payee) within 10 working days from the date it receives payment from SSA;
- send the individual a notice explaining the allocation of the retroactive SSI payment and the individual's right to a hearing if he/she disagrees with the action taken regarding the apportionment of the retroactive check; and
- refund any remaining retroactive SSI payment balances to SSA, if payment cannot be made to the individual (or representative payee).

During State Fiscal Years (SFY) 2000 and 2001, SSA made a total of about \$460 million IAR-related payments to 38 States and the District of Columbia,<sup>8</sup> including about \$36 million to DPSS.<sup>9</sup>

## **SCOPE AND METHODOLOGY**

To accomplish our objectives, we:

- Determined the number of IAR-related payments processed and paid to DPSS during SFYs 2000 and 2001.<sup>10</sup>
- Identified, obtained and reviewed SSA, State of California, and DPSS policies and procedures concerning the IAR program.
- Reviewed applicable Single Audit and State of California internal control reports for SFYs 2000 and 2001.
- Reviewed 200 randomly selected IAR cases processed by DPSS during SFYs 2000 and 2001 for compliance with applicable policies and procedures<sup>11</sup> (see Appendix A).

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<sup>8</sup> SFYs 2000 and 2001 are the period July 1, 1999 through June 30, 2001.

<sup>9</sup> We extracted these financial data from the SSA Supplemental Security Records history data files.

<sup>10</sup> In SFY 2000, there were 5,721 IAR payment cases, totaling \$20 million, and, in SFY 2001, there were 4,971 IAR payment cases, totaling \$16 million.

<sup>11</sup> We did not determine whether the SSI recipient received the payments made by the State. Further, we did not interview the SSI recipients.

- Reviewed 57 canceled payments to SSI recipients that were processed by DPSS during SFYs 2000 and 2001.<sup>12</sup> We did not independently determine the number of SSI-related payments DPSS should have returned to SSA during SFYs 2000 and 2001.

We reviewed State agency internal control procedures necessary to meet our objectives. Except as noted in the Results of Review section of this report, we found no instances of noncompliance.

We did not determine the reliability of the computer-processed data because we limited their use in our audit. We tested the Social Security number data element included in an extract from SSA's Supplemental Security Record system. The use of these data was limited to determining the number of sample units for our audit. The test performed determined the accuracy of the Social Security numbers. We did not test the data element for completeness or validity. However, we were able to use the data for our intended purpose. Our review was conducted in accordance with generally accepted government auditing standards. The entity reviewed was the DPSS, and we performed our initial fieldwork for this audit from February 2002 through February 2003. At the request of SSA, we performed additional audit work from July through November 2003.

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<sup>12</sup> Payments due to SSI recipients, after DPSS deducts its reimbursable portion of the SSI retroactive payment received from SSA that were returned to the County as undeliverable due to death or incorrect address.

## Results of Review

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Generally, we found DPSS calculations of payments due to SSI recipients and its reimbursable amounts from the retroactive SSI payments complied with applicable policies. However, we found initial interim assistance documentation could not always be provided. We also found untimely payments of residual balances to SSI recipients and untimely refunding to SSA of undeliverable payments. Finally, we found other payments due to SSI recipients were not paid timely.

### IAR Authorizations Could not be Provided

DPSS could not always provide the IAR authorizations. The IAR agreement between SSA and the State of California requires that the State "...retain each authorization it receives (or a copy thereof) for a total of three years from the date said authorization is received and for such longer period as is required for completion or resolution of the audits, litigation, or other actions involving such records of which the State has actual notice and which are commenced before the end of the three year period."<sup>13</sup>

The initial application includes, but is not limited to, the IAR authorization form. This form authorizes DPSS to deduct from the initial retroactive SSI payment the amount of interim assistance provided to the SSI recipient. Additionally, the initial application contains pertinent "due process" documentation. This documentation includes protective filing<sup>14</sup> and life-of-authorization<sup>15</sup> information.

We requested the initial application documentation related to the 200 cases sampled. However, DPSS staff stated the system it used to store the initial interim assistance applications made it difficult to locate the documentation. Therefore, DPSS could only provide this documentation for 126 cases (63 percent). For the 200 cases reviewed, we did not independently determine whether each recipient received interim assistance payments.

DPSS could not provide documentation authorizing it to reimburse itself from the retroactive payments received for 37 percent (36 cases in SFY 2000 and 38 cases in SFY 2001) of the cases we reviewed. Without the IAR authorizations, DPSS should not have reimbursed itself for approximately \$77,000 in SFY 2000 and \$65,000 in SFY 2001. Based on our sample results, we estimate that DPSS cannot provide the IAR authorizations for about 2,060 cases in SFY 2000 and 1,889 cases in SFY 2001.

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<sup>13</sup> *Agreement for Reimbursement to State for Interim Assistance Payments Pursuant to Section 1631(g) of the Social Security Act Between the Secretary of Health and Human Services and the State of California*, Article VIII, *Examination and Retention of Records*, paragraph B, May 24, 1989.

<sup>14</sup> Eligibility can begin as early as the date the State receives the IAR authorization form if the applicant files for SSI benefits within 60 days from that date.

<sup>15</sup> Length of time the authorization can be used for IAR reimbursement.

Consequently, we estimate DPSS should not have reimbursed itself about \$4.4 million in SFY 2000 and about \$3.2 million in SFY 2001 from the retroactive payments.

## **Untimely Payments to SSI Recipients and SSA Evidenced in IAR Program**

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### **Payments of Residual Balances Due to SSI Recipients Were not Always Paid Timely**

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Payments of residual balances due SSI recipients were not always made timely. The DPSS often includes in its reimbursable amounts the final interim assistance payments made to SSI recipients. SSA regulation<sup>16</sup> allows DPSS to take this action only if the State has prepared and cannot stop delivery of the last assistance payment when it receives the SSI payment from SSA. We did not determine whether DPSS could stop the final interim assistance payments. However, when reimbursed amounts include final interim assistance payments, DPSS should promptly identify and pay any excess reimbursement that belongs to the SSI recipient.

DPSS' Interim Assistance Unit maintains a list of final interim assistance payments that were authorized and included in the reimbursement amounts deducted from retroactive SSI payments. Three months after the processing month in which the final payments were authorized, the Interim Assistance Unit reviews its automated systems to determine whether the final payments were issued to SSI recipients. If it is determined SSI recipients did not receive their final payments, the amount due from DPSS to the SSI recipient is calculated. Subsequently, DPSS notifies the County Comptroller to send the amounts due to the recipients.

We randomly selected and reviewed 200 interim assistance cases DPSS processed during SFYs 2000 and 2001. Of these, we identified 41 cases (14 cases in SFY 2000 and 27 cases in SFY 2001) in which DPSS incorrectly included the final assistance payments in its reimbursement amounts taken from the retroactive SSI payments. As a result, we determined DPSS did not timely pay SSI recipients about \$9,600. In 10 (71 percent) of the SFY 2000 cases and 24 (89 percent) of the SFY 2001 cases, DPSS took over 90 business days to authorize payment of the residual balances due SSI recipients (see Table 1). Based on our sample results, we estimate that about 2,143 SSI recipients were not timely paid approximately \$498,660 in benefit payments (see Appendix A).

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<sup>16</sup> 20 C.F.R. § 416.1902.

**Table 1. Number of Days and Cases DPSS Delayed Payments Due to SSI Recipients<sup>17</sup>**

SFY	Lapsed Days 1 to 30	Lapsed Days 31 to 60	Lapsed Days 61 to 90	Lapsed Days 91 to 120	Lapsed Days over 121	Number of Total Cases
<b>2000</b>	0	1	3	5	5	14
<b>2001</b>	1	2	0	5	19	27
<b>Totals</b>	1	3	3	10	24	41

The amounts deducted from the SSI retroactive payments were not correct. Higher reimbursement amounts were deducted because DPSS presumed recipients received the final interim assistance payments. In addition, the amounts due to SSI recipients were not identified and paid timely because of DPSS' practice of deferring reviews of cases for 90 days where the final interim assistance payments were included in its reimbursement amounts. Since DPSS is aware that payments may be due to SSI recipients, we believe a 3-month waiting period is excessive and unacceptable for identifying and paying the SSI recipients.

**Undeliverable Payments Due to SSI Recipients Were not Always Refunded Timely to SSA**

DPSS did not always refund timely to SSA undeliverable payments<sup>18</sup> due to SSI recipients. After DPSS deducts the amount of interim assistance provided from the SSI retroactive payments, it is required to forward any residual payments to SSI recipients. DPSS is required to refund payments returned undeliverable to SSA. The State's IAR agreement<sup>19</sup> requires that undeliverable payments be forwarded to SSA within the "prescribed time limit." The IAR agreement identifies a "10 working days" time frame. However, the IAR agreement is not clear as to the prescribed time limit. State procedures provide instructions to refund these payments to SSA within 60 days.

For SFYs 2000 and 2001, DPSS identified 57 undeliverable payments totaling \$46,700. The payments were undeliverable because addresses were unknown or the SSI recipient had died. These payments were refunded to SSA.

Of the 57 payments, DPSS took over 71 business days to refund 29 payments (71 percent) in SFY 2000, and 11 payments (68 percent) in SFY 2001 (see Table 2). DPSS did not have procedures to ensure the timely refund of these payments to SSA. We believe taking more than 71 business days to forward these undeliverable payments to SSA is not timely. As a result, SSA is delayed in its efforts to locate and pay SSI recipients.

<sup>17</sup> Days represent business, not calendar days.

<sup>18</sup> Undeliverable payments are payments due SSI recipients that are returned to SSA.

<sup>19</sup> *Agreement for Reimbursement to State for Interim Assistance Payments Pursuant to Section 1631(g) of the Social Security Act Between the Secretary of Health and Human Services and the State of California, Article IV, Functions To Be Performed By the State, paragraph C, May 24, 1989.*

**Table 2. Number of Days and Cases Before DPSS Forwarded Undeliverable Payments Due to SSI Recipients to SSA<sup>20</sup>**

SFY	Lapsed Days 1 to 60	Lapsed Days 61 to 70	Lapsed Days 71 to 80	Lapsed Days 81 to 90	Lapsed Days over 91	Number of Total Cases
<b>2000</b>	10	2	3	8	18	41
<b>2001</b>	2	3	0	0	11	16
<b>Totals</b>	12	5	3	8	29	57

**Payments Due to SSI Recipients Were not Always Paid Timely or in Appropriate Amounts**

DPSS did not always issue payments timely or pay appropriate amounts due to SSI recipients. Specifically, DPSS sometimes deducts higher reimbursement amounts from the retroactive SSI payments than it should. As a result, DPSS did not timely pay SSI recipients the correct amount.

Federal Law requires that State agencies issue payments to individual interim assistance recipients for the balance of IARs in excess of the reimbursement amount within 10 working days or a shorter period specified in the interim assistance agreement.<sup>21</sup> Of the 200 cases reviewed, we found 6 (5 in SFY 2000 and 1 in SFY 2001), totaling \$6,557, with payments not issued within the required time period. Based on our sample, we estimate DPSS did not issue payments timely to SSI recipients for approximately 286 cases totaling \$310,776 (see Appendix A). Of the six, payments for five cases (totaling \$5,146) were eventually paid to SSI recipients.

We could not independently determine the cause for the increased timeliness in processing evidenced in the SFY 2001 cases examined as compared to the SFY 2000 cases. To determine the source of the improvements in IAR cases timely processed, we contacted DPSS officials. DPSS officials explained the improvement was due largely to mid-level management changes and increased management oversight within its Interim Assistance Unit<sup>22</sup> in SFY 2000.

For the remaining case, at the time of our audit, DPSS had not issued payments to the SSI recipient. Based on SSA policy and our calculations, DPSS should have issued \$1,411 to this recipient. DPSS reported it had issued the payment. However, DPSS has not provided us information to support the assertion that the payment was issued.

<sup>20</sup> Days represent business, not calendar days.

<sup>21</sup> 42 U.S.C. 1383(g)(4).

<sup>22</sup> The DPSS staff is responsible for processing and authorizing the IAR and forwarding payments to SSI recipients.

DPSS did not have adequately documented procedures for processing retroactive SSI payments. However, some procedures were in place but did not ensure payments due to SSI recipients were issued timely and in the appropriate amount. Without adequate documented procedures, DPSS staff may not always process IAR cases accurately, consistently, and pay amounts due to SSI recipients timely.



## Conclusions and Recommendations

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Generally, we found DPSS calculations of payments due to SSI recipients and its reimbursable amounts from the retroactive SSI payments complied with applicable policies. However, DPSS should have available appropriate documentation authorizing it to reimburse itself from the retroactive payments received from SSA. Further, DPSS should develop and implement written policies and procedures to improve timeliness of providing certain payments to SSI recipients and forwarding undeliverable payments to SSA.

SSI recipients are aged, blind, or disabled individuals with limited income and resources. Consequently, it is imperative that these individuals receive all benefit payments due them as soon as possible. We believe SSA has a stewardship responsibility to ensure all SSI-related payments are made timely and in the appropriate amount.

We recommend SSA:

1. Instruct DPSS to produce the IAR authorizations for the 36 and 38 sample cases in SFYs 2000 and 2001, respectively, or determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.
2. Instruct DPSS to determine the extent to which unauthorized reimbursements were made from retroactive SSI payments in SFYs 2000 and 2001, and SSA should determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.
3. Instruct DPSS to cease its practice of deferring case reviews for 90 days in instances where the State's final assistance payments are included in its reimbursement amounts.
4. Clarify the "prescribed time limit" for refunding to SSA undeliverable payments due SSI recipients.
5. Ensure DPSS makes payments totaling \$1,411 due to one SSI recipient.

### AGENCY COMMENTS

SSA agreed with our recommendations. Regarding Recommendation 2, DPSS agreed to conduct a self-audit of a 5 percent random sample of the approximately 14,000 cases with IAR reimbursements to determine the extent of the unauthorized reimbursements made in SFYs 2000 and 2001. The Agency stated that it would assist DPSS with questions surfacing during their self-audit. However, due to staffing constraints, SSA will be unable to review the random sample of approximately 700 cases. For

Recommendation 3, SSA stated it is pleased to see that DPSS has taken action to conduct more expeditious review of its reimbursement cases to ensure timely refunds are made to SSI individuals. See Appendix B for the full text of SSA's comments.

## **DPSS COMMENTS**

DPSS agreed with our recommendations. DPSS stated it has implemented 3 of the 5 recommendations and plans to implement the remaining 2 recommendations during 2004. Further, DPSS indicated that for Recommendation 1, if IAR authorization forms are not locatable, it would refund IARs as appropriate. See Appendix C for the full text of DPSS's comments.

## **OIG RESPONSE**

If DPSS determines through its random sample of 14,000 IAR cases that a significant amount of payments were not supported by appropriate documentation, then DPSS should refund all unsupported payments. With respect to Recommendation 5, DPSS stated that it sent a check to the SSI recipient on July 3, 2000 and the recipient negotiated the check on October 6, 2000. We have verified this fact. However, as of the date of this report, we have not received documentation to verify DPSS's implementation of Recommendations 3 and 4. We support and encourage SSA and DPSS to continue to take actions to address the areas of concern noted in this report.

## Other Matters

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While we were conducting our audit, additional issues came to our attention. These issues are summarized below.

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### **Several Problematic Conditions Exist in the IAR Program**

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During our review, we identified several potential issues that may be indicative of problems in the California and other IAR agreements. These conditions may be avoided if States are provided additional guidance for processing retroactive SSI payments. Guidance is

needed to address the timeliness of payments to SSI recipients and the related refunding of any undeliverable payments to SSA. We believe the Agency should consider modifying its IAR Handbook to:

- specify a reasonable time frame in which the States must determine whether final interim assistance payments included in its reimbursable amounts were appropriate, and
- clarify the “prescribed time limit” for refunding to SSA undeliverable payments due SSI recipients.

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### **Improper DPSS Processing and Untimely Payments Evidenced in IAR Program**

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The State of California has established the following responsibilities for IAR participating agencies: “...if, by the tenth working day from the day of receipt of an initial payment<sup>23</sup> the participating agency has failed to forward the remittance (if any) to the recipient or his/her representative payee, the participating agency which received the initial payment shall send to the recipient the full amount of the initial payment.”

DPSS did not always process retroactive SSI payments within the required 10-workday period. As a result, the full amount of the retroactive SSI payments should have been sent to the appropriate recipients, as required by State policy. However, this did not occur.

Of the 200 sample cases reviewed, we found 6 cases, totaling \$10,930 in retroactive SSI payments that were not processed as required. For these 6 cases, payments were authorized but not paid to recipients within the required 10-workday period. In accordance with State policy, DPSS was required to remit the total amount of the retroactive payments to appropriate recipients. Based on our sample cases, we estimate that DPSS did not process approximately 286 cases within 10 workdays, as required by State policy. As a result, about \$508,081 in retroactive payments was due recipients (see Appendix A).

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<sup>23</sup> The SSI retroactive payment.

# *Appendices*

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## Sampling Methodology and Results

From the Social Security Administration, we obtained a list of 10,692 Interim Assistance Reimbursement (IAR) payments to Department of Public Social Services (DPSS) for the period July 1, 1999 through June 30, 2001. Our file contained 5,721 IAR payments with a dollar value of \$20 million for State Fiscal Year (SFY) 2000 and 4,971 payments with a dollar value of \$16 million for SFY 2001. For each SFY, we selected random samples of 100 IAR payment transactions for review.

We reviewed each selected IAR payment transaction to determine whether DPSS maintained the required initial interim assistance application, processed and paid residual balances due to Supplemental Security Income (SSI) recipients within 10 workdays, deducted the correct amount of IAR reimbursement and refunded to SSA any undeliverable payments due to SSI recipients timely. Our sample results and projections are shown below for each SFY and in total for both SFYs. To be conservative, where our review found fewer than five cases that met the specific condition identified, we did not project the sample results to the population.

<b>Sample Results and Projections</b>	<b>SFY 2000</b>	<b>SFY 2001</b>	<b>Total</b>
Population size	5,721	4,971	10,692
Sample size	100	100	200
Sample cases where initial interim assistance application documentation was not located <sup>1</sup>	36	38	74
Point estimate – projection of cases where initial interim assistance application documentation was not located	2,060	1,889	3,949
Projection lower limit	1,605	1,488	
Projection upper limit	2,550	2,317	
Amount of unauthorized State reimbursements from the SSI retroactive payments due SSI recipients	\$77,333	\$65,233	\$142,566
Point estimate – projection of amounts of unauthorized State reimbursements from the SSI retroactive payments due SSI recipients	\$4,424,220	\$3,242,727	\$7,666,947
Projection lower limit	\$2,689,521	\$2,256,007	
Projection upper limit	\$6,158,919	\$4,229,447	

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

<sup>1</sup> Of the 36 and 38 cases identified in error, only 35 and 37 cases, respectively, had monetary errors. Our dollar projections take into consideration this fact.

<b>Sample Results and Projections</b>	<b>SFY 2000</b>	<b>SFY 2001</b>	<b>Total</b>
Population size	5,721	4,971	10,692
Sample size	100	100	200
Sample cases where residual balances due to SSI recipients were not paid timely	14	27	41
Point estimate – projection of cases where payments were not paid to SSI recipients timely	801	1,342	2,143
Projection lower limit	498	987	
Projection upper limit	1,199	1,749	
Amount of residual balances due SSI recipients that were not paid timely	\$2,952	\$6,634	\$9,586
Point estimate – projection of amounts due SSI recipients not paid timely	\$168,884	\$329,776	\$498,660
Projection lower limit	\$99,470	\$224,807	
Projection upper limit	\$238,298	\$434,745	

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

<b>Sample Results and Projections</b>	<b>SFY 2000</b>	<b>SFY 2001</b>	<b>Total</b>
Population size	5,721	4,971	10,692
Sample size	100	100	200
Sample cases where payments due to SSI recipients were not always paid timely and in appropriate amounts	5	1	6
Point estimate – projection of cases where the payment was not processed and paid in appropriate amounts within 10 workdays	286	N/A	286
Projection lower limit	114	N/A	
Projection upper limit	583	N/A	
Amount not paid to SSI recipients for cases where the payments were not processed and paid within 10 workdays and in appropriate amounts	\$5,412	\$1,145	\$6,557
Point estimate – projection of amount not paid to SSI recipients for cases where the payments were not processed and paid within 10 workdays and in appropriate amounts	\$309,631	\$1,145	\$310,776
Projection lower limit	\$50,523	N/A	
Projection upper limit	\$568,740	N/A	

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

<b>Sample Results and Projections</b>	<b>SFY 2000</b>	<b>SFY 2001</b>	<b>Total</b>
Population size	5,721	4,971	10,692
Sample size	100	100	200
Sample cases where the payment was not processed and paid within 10 workdays	5	1	6
Point estimate - projection of cases where the payment was not processed and paid within 10 workdays	286	N/A	286
Projection lower limit	114	N/A	
Projection upper limit	583	N/A	
Amount not paid to recipients for cases where the payments were not processed and paid within 10 workdays	\$8,845	\$2,085	\$10,930
Point estimate - projection of amount not paid to SSI recipients for cases where payments were not processed and paid within 10 workdays	\$505,996	\$2,085	\$508,081
Projection lower limit	\$69,147	N/A	
Projection upper limit	\$942,844	N/A	

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

We could not independently determine the cause for the increased accuracy in processing evidenced in the SFY 2001 cases examined as compared to the SFY 2000 cases. To determine the source for the significant improvement in IAR cases processed timely, we contacted DPSS officials. DPSS officials explained the improvement was due largely to mid-level management changes and increased management oversight within its Interim Assistance Unit<sup>2</sup> during SFY 2001.

<sup>2</sup> The DPSS staff responsible for processing and authorizing the interim assistance reimbursement and forwarding excess amounts to recipients.

## Agency Comments





## SOCIAL SECURITY

### MEMORANDUM

Date: March 23, 2004

Refer To: S2D9G3  
SI-16-2-13

To: Steven L. Schaeffer  
Assistant Inspector General  
for Audit

From: Regional Commissioner  
San Francisco

Subject: Interim Assistance Reimbursement to Los Angeles County, California, Under the Supplemental Security Income Program (A-13-02-12039)

We appreciate the opportunity to provide revised comments on the draft audit report of the Interim Assistance Reimbursement (IAR) Program of the Department of Public Social Services (DPSS) of Los Angeles County, California. We have updated and revised the comments sent to you on January 9, 2004, to account for recent activities by Los Angeles County in response to the audit findings:

Recommendation 1: Instruct DPSS to produce the IAR authorizations for the 36 and 38 sample cases in SFYs 2000 and 2001, respectively, or determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.

Concur. We will instruct DPSS to produce copies of the IAR authorizations for the 74 sample cases identified in the audit to determine if it appropriately reimbursed itself for these cases.

Recommendation 2: Instruct DPSS to determine the extent to which unauthorized reimbursements were made from SSI retroactive payments in SFYs 2000 and 2001, and SSA should determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.

Concur: DPSS has agreed to conduct a self-audit of a 5% random sample of the approximately 14,000 cases with IAR reimbursements to determine the extent of the unauthorized reimbursements made in SFYs 2000 and 2001. We will assist DPSS with questions that surface during their self-audit. However, due to staffing constraints, we will be unable to review the random sample of

approximately 700 cases to determine if DPSS appropriately reimbursed itself for those cases. SSA Central Office IAR staff has concurred with our decision.

**Recommendation 3:** Instruct DPSS to cease its practice of deferring case reviews for 90 days in instances where the State's final assistance payments are included in its reimbursement amounts.

Concur: We are pleased to see that DPSS has taken action to conduct more expeditious review of its reimbursement cases to ensure that timely refunds are made to SSI individuals.

**Recommendation 4:** Clarify the "prescribed time limit" for refunding to SSA undeliverable payments due SSI recipients.

Concur. We will advise interim assistance agencies to refund to SSA any undeliverable payments within ten working days from the day they become aware that payments are undeliverable. Also, SSA plans to add this stipulation in its revision to the IAR Handbook which is currently under reconstruction. However, we do not plan to place this stipulation in the Agreement because it already requires States to follow all of SSA's regulations and rules.

**Recommendation 5:** Ensure DPSS makes payments totaling \$1,411 due to one SSI recipient.

Concur. We will ask DPSS to provide documents including the apportionment notice to support its assertion that \$1,411 refund was made to the SSI individual.

If members of your staff have any questions regarding the comments, they may contact Xiaowei Connolly, SSI Team, (510) 970-8258.



for Peter D. Spencer

Los Angeles County Department of Public  
Social Services Comments

County of Los Angeles  
**DEPARTMENT OF PUBLIC SOCIAL SERVICES**

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February 19, 2004

Social Security Administration  
Office of the Inspector-General  
6401 Security Boulevard, Room 300  
Baltimore, Maryland 21235

Dear Sir:

**LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES' (DPSS)  
INTERIM ASSISTANCE REIMBURSEMENT PROGRAM REVIEW**

Enclosed is my Department's response to the five recommendations contained in the Interim Assistance Reimbursement (IAR) review conducted in Los Angeles County during the week of March 11, 2002.

The Department has already implemented three of the five recommendations. We plan to implement the two remaining recommendations outlined in the report by June 30, 2004 and August 31, 2004, respectively.

We appreciate the efforts of the OIG staff in identifying areas of improvement in DPSS' IAR process.

Should you require additional information, please contact Javier Mercado at (562) 908 5740.

Very truly yours,

Bryce Yokomizo  
Director

BY:aj

Enclosure

c: California Department of Social Services

*"To Enrich Lives Through Effective And Caring Service"*

**ENCLOSURE**

**LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES' (DPSS)  
INTERIM ASSISTANCE REIMBURSEMENT PROGRAM REPORT  
RECOMMENDATIONS/CORRECTIVE ACTIONS RESPONSE**

**RECOMMENDATION #1**

SSA instruct DPSS to produce the IAR authorizations for the 36 and 38 sample cases in SFYs 2000 and 2001, respectively, or determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.

**Response**

DPSS agrees with the recommendation. Although authorization forms were not found in the case records at the time of the review, the Special Operations Section of DPSS followed routine procedures and recouped the proper GR dollar amount from the cases in question. DPSS will continue the search for copies of the IAR authorization forms. If any of these forms are not locatable, DPSS will refund all IARs as appropriate.

**Status**

Implementation target date: June 30, 2004

**RECOMMENDATION #2**

SSA instruct DPSS to determine the extent to which unauthorized reimbursements were made from SSI retroactive payments in SFYs 2000 and 2001, and SSA should determine whether DPSS appropriately reimbursed itself for these retroactive SSI payments.

**Response**

DPSS agrees with the recommendation. DPSS will conduct a 5 percent random sample of the approximately 14,000 cases with IAR reimbursements to determine the extent to which unauthorized reimbursements were made from SSI retroactive payments in SFYs 2000 and 2001.

**Status**

Implementation target date: August 31, 2004

**RECOMMENDATION #3**

SSA instruct DPSS to cease the practice of deferring case reviews for 90 days in instances where the State's final assistance payments are included in its reimbursement amounts.

**Response**

DPSS agrees with the recommendation. DPSS issued a memo instructing staff to stop the practice of recouping the following month's invoice if not authorized on LEADER. A case review is now performed 45 days (no longer 90 days) after payment is issued, as instructed by SSA to ensure GR termination.

**Status**

Implemented: January 6, 2004

**RECOMMENDATION #4**

SSA clarify the "prescribed time limit" for refunding to SSA undeliverable payments due SSI recipients.

**Response**

DPSS agrees with the recommendation. The Special Operations Section of DPSS issued a memo to all Interim Assistance Staff clarifying the procedure for refunding SSI undeliverable payments to SSA.

**Status**

Implemented: February 5, 2004

**RECOMMENDATION #5**

SSA ensure DPSS makes payments totaling \$1,411 due to one SSI recipient.

**Response**

DPSS agrees with the intent of the recommendation. On July 3, 2000, a payment in the amount of \$1,411,00 was issued to the participant in question. The warrant was cashed on October 6, 2000 (see attached copy of the negotiated check).

**Status**

Implemented: July 3, 2000

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Shirley E. Todd, Director, General Management Audit Division (410) 966-9365

Brian Karpe, Lead Auditor, General Management (410) 966-1029

### ***Acknowledgments***

In addition to those named above:

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor

For additional copies of this report, please visit our website 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-13-02-12039.

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