OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

FOLLOW-UP AUDIT: INFORMATION SYSTEM CONTROLS OF THE SOCIAL SECURITY ADMINISTRATION'S REPRESENTATIVE PAYEE SYSTEM

June 2006 **A-14-06-16114**

AUDIT REPORT

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SOCIAL SECURITY

MEMORANDUM

Date: June 26, 2006 Refer To:

To: The Commissioner

From: Inspector General

Subject: Follow-up Audit: Information System Controls of the Social Security Administration's Representative Payee System (A-14-06-16114)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) implemented recommendations made in our September 30, 2002 report, *Information System Controls of the Social Security Administration's Representative Payee System* (A-44-01-31051).

BACKGROUND

Over 7.5 million people who receive Old-Age, Survivors and Disability Insurance (OASDI) benefit payments or Supplemental Security Income (SSI) payments, or both, are unable to manage their own finances because of their age or mental and/or physical impairments. For such people, SSA appoints a representative payee to receive and manage the benefit payments on the recipient's behalf. Most recipients under age 18 have representative payees—usually a parent. Adults who cannot manage their finances because of severe physical or mental limitations also need representative payees. Of those receiving SSI payments, 36 percent have representative payees, and 11 percent of those receiving OASDI benefits have representative payees.

The Representative Payee System (RPS) was created in 1992 to provide an on-line database of representative payee activity nationwide. RPS was intended to provide field office (FO) employees with immediate access to vital information about representative payees to assist field employees in making good representative payee decisions and to prevent fraud. RPS was developed after Congress mandated in 1990[1] that SSA perform a more thorough investigation of representative payee applicants and establish a centralized file for storing and retrieving representative payee data nationwide. RPS contains data about representative payee applicants, beneficiaries in

[1] Omnibus Budget Reconciliation Act of 1990, Public Law 101-508 § 5105; *see also* Section 205(j)(2) of the Social Security Act, 42 U.S.C. § 405(j)(2).

the representative payee's care, and the relationship between the representative payees and the beneficiaries they represent.

Our September 2002 report found that while many controls were strong and operating effectively, the input, processing, and output controls for RPS needed to be strengthened and/or improved. We recommended that SSA revise the RPS software to improve its input and processing controls and modify the Master Representative Payee File (MRPF) alert process. SSA agreed with our recommendations. See Appendix C for a full list of the 13 recommendations included in our prior report.

We performed our field work in SSA Headquarters between January and March 2006. We conducted our review in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

SSA has made significant efforts to address our recommendations and has fully implemented recommendations 1, 2, 4, 6, 8, 11 and 13 from our prior audit report. Our review found that SSA has taken the following corrective actions to address these seven recommendations:

- Modified RPS to generate appropriate alert messages and prevent incorrect or invalid information from being entered.
- Implemented a daily match between the Prisoner Update Processing System database and RPS to identify incarcerated representative payees. If a representative payee identified by this matching process is not replaced, the user must document the reason for this within RPS via a special text screen.
- Performed a manual review and clean-up of duplicate organizational representative payees within RPS by the FOs.
- Analyzed the MRPF process and decided to suppress two alerts that were deemed unproductive or repetitive, thereby significantly reducing the amount of alerts that FO users have to investigate and clear.
- Stopped suppressing MRPF alerts that are the result of missing Beneficiary's Own Account Numbers.
- Implemented a national tracking system for Beneficiary's Own Social Security Number alerts.

We reviewed the RPS modifications in a validation environment and determined that they, in addition to the other efforts noted previously, effectively addressed these recommendations.

SSA considered, but did not implement, recommendations 10 and 12 from our initial report. While SSA did not perform a risk assessment to determine which MRPF alerts should be worked or suppressed, the Agency did analyze the MRPF process and

decided to suppress two alerts that were deemed unproductive or repetitive. Also, due to limited systems resources and higher Agency priorities related to RPS, SSA decided not to develop a process to monitor and track MRPF alerts to ensure that they were being worked. While we believe that the original recommendations still have merit, in this instance we accept SSA's judgment on where to allocate the Agency's resources after it has considered the costs of implementation. Therefore, we consider recommendations 10 and 12 closed.

Open Recommendations with Corrective Action Initiated

SSA has begun corrective action on recommendations 3, 5, and 7. For recommendations 3 and 7, RPS is being modified to:

- Require the system user to document the rationale when an Employer Identification Number (EIN) is overridden.
- Ensure that only one representative payee is appointed for a beneficiary receiving two or more benefits.

RPS users will now be required to document the rationale for overriding an EIN. This will ensure that organizations whose EINs do not appear in the Employer Identification File cannot be appointed without justification. Also, the modification of RPS to ensure that only one representative payee is appointed for a beneficiary receiving two or more benefits will mirror SSA policy.[2] The Agency has stated that these modifications will occur in the next release of the Representative Payee Accountability Project in Fiscal Year 2006.

To initiate a suspension of benefit payments and development of a new representative payee, the Death Alert, Control and Update System is being modified to send a file of deceased representative payees to the Master Beneficiary Record and the Supplemental Security Record. When implemented, this will help ensure that deceased representative payees are identified, terminated, and replaced.

Open Recommendation That is Still Under Consideration

The Agency agreed with recommendation 9 and indicated that it would evaluate the extent of systems changes required to implement the recommendation. SSA policy[3] prohibits custodial parents from having a collective savings account for their children receiving benefits. To ensure that funds are properly accounted for and spent for each child, we encourage SSA to pursue implementation of this recommendation. If a decision is reached that implementation is not feasible, the Agency should formally document this decision.

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[2] Program Operations Manual System (POMS), Section GN 00502.183, *Making a Payee Appointment Determination*.

[3] POMS, Section GN 00603.010, *Conserving Benefits in a Savings or Checking Account.*

See Appendix C for specific details on each of our 13 recommendations made in the prior report, including corrective actions taken and our assessment of the Agency's implementation of these recommendations.

CONCLUSION

SSA has made significant progress in addressing the 13 recommendations of our prior audit. SSA has fully implemented seven of our recommendations and determined after evaluating the cost effectiveness not to implement two recommendations. For the remaining four recommendations, we encourage SSA to continue the corrective actions initiated or under consideration to improve RPS.

AGENCY COMMENTS

SSA continues to work on the four remaining recommendations. For the full text of the Agency's comments see Appendix D.

Patrick P. O'Carroll, Jr.

Appendices

Acronyms

BOSSN	Beneficiary's Own Social Security Number
DACUS	Death Alert, Control and Update System
EIN	Employer Identification Number
FO	Field Office
FY	Fiscal Year
MRPF	Master Representative Payee File
OASDI	Old-Age, Survivors and Disability Insurance
OS	Office of Systems
POMS	Program Operations Manual System
PUPS	Prisoner Update Processing System
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

This is a follow-up review of our September 30, 2002 report, *Information System Controls of the Social Security Administration's Representative Payee System* (A-44-01-31051). Our scope is limited to a determination of whether the Social Security Administration (SSA) has taken sufficient measures to implement the recommendations in the 2002 report.

To accomplish our objective, we:

- Interviewed officials from SSA's Office of Systems to determine the status of corrective actions taken to address recommendations resulting from our September 2002 report.
- Reviewed applicable Federal laws and SSA policy relating to the Representative Payee System.

We performed our field work at SSA Headquarters between January and March 2006. The entity audited was the Office of Systems. We conducted our review in accordance with generally accepted government auditing standards.

Appendix C

Status of Recommendations from September 2002 Audit, *Information System Controls of the Social Security Administration's Representative Payee System* (A-44-01-31051)

We recommended that the Social Security Administration (SSA):

Revise the Representative Payee System (RPS) to improve the effectiveness of the input controls by:

Recommendation 1 - Prohibiting selection of an applicant when a question mark ("?" character) is entered in the Type of Crime field.	
Action Taken	SSA has modified RPS to prohibit selection of an applicant when a question mark ("?" character) is entered in the Type of Crime field.
Recommendation Implemented?	Yes.

Recommendation 2 - Prohibiting appointment of a representative payee between ages 15 and 18 until proof of emancipation or capability is documented in RPS.	
Action Taken	SSA has modified RPS to generate an alert message and requires the use of a special text screen to document the rationale for appointment of a representative payee under the age of 18.
Recommendation Implemented?	Yes.

Recommendation 3 - Requiring verification of an Employer Identification Number (EIN) or documentation before allowing the EIN to be overridden.	
Action Taken	SSA has expanded the Master Representative Payee File (MRPF) to store the information entered into RPS relating to the documentation reviewed to override an EIN.
Action Underway to Fully Implement	The Agency has informed us that the appropriate RPS screen will be modified to include a field for the user to document the rationale for overriding an EIN when a match against the Employer Identification File is not found. This modification is scheduled to occur in the next release of the Representative Payee Accountability Project in Fiscal Year (FY) 2006. Once completed, this additional control will ensure that RPS users cannot override an EIN without justification when appointing an organization as a representative payee.
Recommendation Implemented?	No.

Recommendation 4 - Correcting the input edit that permits the entry of improper zip codes.	
Action Taken	SSA has modified RPS to prevent the entry of improper zip codes.
Recommendation Implemented?	Yes.

Revise the RPS software to improve the effectiveness of the processing controls by:

Recommendation 5 - Automating the processes for: **a. Identifying and terminating deceased representative payees, and ensuring deceased representative payees are replaced.** **b. Identifying incarcerated representative payees. Also, if an incarcerated representative payee is not replaced, RPS should require the justification to be documented.**	
Action Taken	For part a of this recommendation, SSA has created a utility program to identify and build a file of deceased representative payees. For part b, SSA has implemented a daily match between its Prisoner Update Processing System (PUPS) database and RPS to identify incarcerated representative payees. If a representative payee identified by this matching process is not replaced, the user must document the reason for this within RPS via a special text screen. We consider part b of this recommendation to be fully implemented.
Action Underway to Fully Implement	The Agency has informed us that it is modifying the Death Alert, Control and Update System (DACUS) to send the file of deceased representative payees to the Master Beneficiary Record and the Supplemental Security Record. This will initiate a suspension of benefit payments and development of a new representative payee. Due to funding issues, this project is on hold. We encourage the Agency to pursue the implementation of the DACUS modification to ensure that deceased representative payees are identified, terminated, and replaced.
Recommendation Implemented?	No.

Recommendation 6 - Displaying an on-screen message or generating an alert to remind Field Office (FO) employees: **a. To re-evaluate an existing representative payee relationship when the representative payee is convicted of a felony. Also, if there is a reason why the felonious representative payee is not replaced, or if the felonious representative payee is appointed to serve other beneficiaries in the future, RPS should require the justification for continued use of that representative payee to be documented.** **b. To re-evaluate an existing representative payee relationship when the representative payee has been found to have misused funds. Also, if a more suitable representative payee cannot be identified and the existing representative payee continues to serve, or if this representative payee is appointed to serve for other beneficiaries in the future, RPS should require the justification for continued use to be documented.** **c. To develop new representative payees when an organizational representative payee is no longer in business. Also, RPS should terminate or prevent the appointment of representative payees that are no longer in business to ensure that they do not receive current or future benefit payments.**	
Action Taken	For part a of this recommendation, SSA has implemented a daily match between its PUPS database and RPS to identify incarcerated representative payees. If a representative payee identified by this matching process is not replaced, the user must document the reason for this within RPS via a special text screen. RPS also alerts users if a felon applicant is serving other beneficiaries as representative payee and instructs the user to investigate suitability. For part b, RPS generates an alert message to re-evaluate an existing representative payee relationship when a representative payee is found to have misused funds for other beneficiaries. Also, the user is required to document this re-evaluation within RPS. For part c, RPS generates an alert message to prevent the selection of an out of business organizational representative payee.
Recommendation Implemented?	Yes.

Recommendation 7 - Displaying an on-screen message that asks for a confirmation response before proceeding when an attempt is made to appoint different representative payees for a beneficiary receiving concurrent benefits. RPS should require the justification for appointing different representative payees to be documented.	
Action Taken	SSA has decided to modify RPS to require the same representative payee for all entitlements.
Action Underway to Fully Implement	According to an Office of Systems (OS) staff member, this modification is scheduled to occur in the next release of the Representative Payee Accountability Project in FY 2006. This will enable RPS to agree with Agency policy[1] that one representative payee shall be appointed for all benefits to which a beneficiary is entitled.
Recommendation Implemented?	No.

Recommendation 8 - Improving controls over the addition of new organizational representative payees to the database. Also, SSA should consolidate multiple entries that currently exist in the database.	
Action Taken	SSA has modified RPS to generate an alert message when adding an organizational representative payee that has a similar name or address to an existing organizational representative payee in the database. The Agency also performed a manual review and clean-up of duplicate organizational representative payees within RPS.
Recommendation Implemented?	Yes.

[1] Program Operations Manual System (POMS), Section GN 00502.183, *Making a Payee Appointment Determination*.

Recommendation 9 - Prohibiting the establishment of collective (identical) savings accounts in RPS for child beneficiaries when the parent is a representative payee.	
Action Taken	SSA agreed with the original recommendation and indicated that it would evaluate the extent of systems changes required to implement the recommendation.
Action Underway to Fully Implement	SSA policy[2] prohibits custodial parents from having a collective savings account for their children receiving benefits. To ensure that funds are properly accounted for and spent for each child, we encourage SSA to pursue implementation of this recommendation. If a decision is reached that implementation is not feasible, the Agency should formally document this decision.
Recommendation Implemented?	No.

Modify the MRPF alert process by:

Recommendation 10 - Conducting a risk assessment to determine which MRPF alerts should be worked and which should be suppressed.	
Action Taken	Although SSA did not perform a risk assessment to determine which MRPF alerts should be worked or suppressed, the Agency did analyze the MRPF process and decided to suppress two alerts that were deemed unproductive or repetitive. While we believe that the original recommendation still has merit, the intent of the recommendation was addressed. Therefore, we consider this recommendation closed.
Recommendation Implemented?	Yes.

[2] POMS, Section GN 00603.010, *Conserving Benefits in a Savings or Checking Account.*

Recommendation 11 - Improving the MRPF alerts by categorizing and prioritizing them, as well as improving the descriptive legends.	
Action Taken	An OS staff member stated that categorizing or prioritizing alerts would give the impression to users that a "lower" priority alert should not be immediately resolved, therefore the focus of addressing this recommendation was to improve the guidance for clearing alerts. The SSA policy that FO users should follow to resolve alerts was rewritten to provide explicit instructions on how to resolve MRPF alerts. As noted previously, SSA also has begun suppressing two alerts that have been deemed unproductive or repetitive. According to the Agency, this will significantly reduce the number of alerts generated to the FOs. While we believe that the original recommendation still has merit, the intent of the recommendation was addressed. Therefore, we consider this recommendation implemented.
Recommendation Implemented?	Yes.

Recommendation 12 - Developing a process for tracking and monitoring MRPF alerts to ensure they are being worked.	
Action Taken	Due to limited systems resources and higher Agency priorities related to RPS, SSA decided against developing a process for monitoring and tracking MRPF alerts to ensure that they were being worked. While we believe that the original recommendation still has merit, we defer to the Agency's judgment on where to allocate its resources after considering the costs of implementation. Therefore, we consider this recommendation closed.
Recommendation Implemented?	Yes.

Recommendation 13 - Re-evaluating whether the practice of suppressing MRPF alerts should be discontinued in light of evidence that the Beneficiary's Own Social Security Number (BOSSN) alerts are not being worked, tracked or monitored.	
Action Taken	The Agency no longer suppresses MRPF alerts that are the result of missing Beneficiary's Own Account Numbers. SSA has also implemented a tracking system for BOSSN alerts that provides FO managers with the capability to update field actions online. This system will also provide counts of BOSSN alerts that are pending (by age, FO, District, Area, Regional Office, or on a National level) or have been cleared since the prior month's report.
Recommendation Implemented?	Yes.

Agency Comments

SOCIAL SECURITY

MEMORANDUM

Date: June 12, 2006 Refer To: S1J-3

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

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

Subjec Office of the Inspector General (OIG) Draft Report, "Follow-up Audit: Information System Controls of the Social Security Administration's Representative Payee System" (A-14-06-16114)--INFORMATION

Thank you for the opportunity to review and provide comments on the subject draft follow-up audit report. We appreciate OIG's efforts in conducting this follow-up audit. Our comments are attached.

Please let me know if you have any questions. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Comment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "FOLLOW-UP AUDIT: INFORMATION SYSTEM CONTROLS OF THE SOCIAL SECURITY ADMINISTRATION'S REPRESENTATIVE PAYEE SYSTEM" (A-14-06-16114)

Thank you for the opportunity to review and provide comments on the subject draft follow-up audit report. We appreciate OIG's efforts in conducting this follow-up audit.

The draft report concludes the Social Security Administration (SSA) has made significant progress in addressing OIG's prior recommendations. OIG notes that SSA has fully implemented seven of the thirteen recommendations and decided not to implement two recommendations after determining it would not be cost-effective to implement them. Regarding the remaining four recommendations, the draft report encourages SSA to continue the corrective actions initiated or under consideration to improve the Representative Payee System (RPS). The draft report does not include any new recommendations to SSA.

We would like to provide the following updates regarding our implementation of the remaining four recommendations from the prior OIG report (September 30, 2002).

Recommendation 3

Require verification of an Employer Identification Number (EIN) or documentation before allowing the EIN to be overridden.

Status Update

We are modifying the appropriate RPS screen to include a field for the user to document the rationale for overriding an EIN when a match against the Employer Identification File is not found. This change is currently scheduled to be implemented in October 2006.

Recommendation 5

Revise the RPS software to improve the effectiveness of the processing controls by automating the processes for:

a. Identifying and terminating deceased representative payees, and ensuring deceased representative payees are replaced.

b. Identifying incarcerated representative payees. Also, if an incarcerated representative payee is not replaced, RPS should require the justification to be documented. (**Fully Implemented**)

Status Update

We have completed the following actions to implement this recommendation:

1) RPS software released in August 2003 is capable of receiving from the Death Alert, Control and Update System (DACUS) a file of deceased persons and replying to DACUS with a file of representative payees identified as deceased. The planned programming of DACUS to subsequently send a notice of death to the Master Beneficiary Record and/or Supplemental Security Record was implemented in March 2004. Work is underway to make modifications to allow DACUS to interface with RPS.

2) The Representative Payee Master File has been modified to house a death indicator and the date the RPS was notified of the death. The actual date of death resides on the NUMIDENT.

Recommendation 7

Display an on-screen message that asks for a confirmation response before proceeding when an attempt is made to appoint different representative payees for a beneficiary receiving concurrent benefits. RPS should require the justification for appointing different representative payees to be documented.

Status Update

This item is currently in the developmental stage for changes to RPS that will prevent the field office from selecting different payees for an individual receiving concurrent benefits. This is scheduled to be implemented in October 2006.

Recommendation 9

Prohibit the establishment of collective (identical) savings accounts in RPS for child beneficiaries when the parent is a representative payee.

Status Update

We are evaluating the systems changes required to implement this recommendation. If we decide implementation of the recommendation is not feasible or cost-effective, we will document any such decision.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kitt Winter, Director, Data Analysis and Technical Audits Division, (410) 965-9702

Albert Darago, Audit Manager, Application Controls Branch (410) 965-9710

Acknowledgments

In addition to those named above:

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