
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**DISABLED INDIVIDUALS WITH
MENTAL IMPAIRMENTS IN NEED OF
A REPRESENTATIVE PAYEE**

September 2012 A-07-11-11110

AUDIT REPORT



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- 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.**
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- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
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SOCIAL SECURITY

MEMORANDUM

Date: September 27, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Disabled Individuals with Mental Impairments in Need of a Representative Payee
(A-07-11-11110)

OBJECTIVE

The objectives of our review were to identify potential vulnerabilities of direct payment to individuals receiving Disability Insurance (DI) or Supplemental Security Income (SSI) payments because of a mental impairment and determine whether additional safeguards were needed to ensure these individuals' funds were properly managed.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. For such individuals, Congress provided for payment through a representative payee who receives and manages the individual's benefit payments.¹ A representative payee may be an individual or an organization. The Social Security Administration (SSA) selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)² beneficiaries or SSI³ recipients when representative payment would serve the individual's interests.⁴

According to SSA policy, all legally competent, adult beneficiaries are presumed capable of managing or directing the management of their benefits unless there are

¹ *Social Security Act* §§ 205(j)(1) and 1631(a)(2)(A)(ii), 42 U.S.C. §§ 405(j)(1) and 1383(a)(2)(A)(ii).

² The OASDI program provides benefits to qualified retirement eligible and disabled workers and their dependents as well as to survivors of insured workers. *Social Security Act* § 202 *et seq.*, 42 U.S.C. § 402 *et seq.*

³ The SSI program provides payments to individuals who have limited income and resources and who are age 65 or older, blind, or disabled. *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

⁴ *Social Security Act* §§ 205(j)(1) and 1631(a)(2)(A)(ii)(I), 42 U.S.C. §§ 405(j)(1) and 1383(a)(2)(A)(ii)(I).

indicators or evidence to the contrary.⁵ If SSA obtains information that beneficiaries may have a mental or physical impairment that prevents them from managing or directing the management of their benefits, it must perform a capability determination to evaluate their ability and, if necessary, assign a representative payee.⁶ In addition, if a beneficiary is already entitled to benefits on another account, unless there is new evidence about the beneficiary's capability/incapability, SSA's policy directs to assume the initial determination about the beneficiary's capability/incapability remains in effect for any other benefits to which the beneficiary becomes entitled.⁷

A representative payee's responsibilities include (1) using the benefits received for the beneficiary's needs and best interests; (2) notifying SSA of any event or change that will affect the beneficiary's eligibility or benefit amount; (3) submitting a written report to SSA, upon request, that accounts for the benefits received; and (4) making all supporting records available for review, if requested by SSA.⁸

Attention to representative payee issues should not end if SSA determines no payee is required or appoints a payee.⁹ SSA employees should remain alert to indications that a beneficiary needs a change in the manner of payment (whether direct or representative).¹⁰

If a beneficiary has a mental impairment, SSA policy requires development of capability only if there is an indication the beneficiary may not be able to reason properly, is disoriented, has seriously impaired judgment, or cannot communicate with others.¹¹ The evaluation of adult disability based on mental disorders requires documentation of a medically determinable impairment(s), consideration of the degree of limitation such impairment(s) may impose on the individual's ability to work, and consideration of whether these limitations have lasted or are expected to last for a continuous period of at least 12 months.¹² SSA considers four broad functional areas when deciding whether a mental impairment is severe enough to prevent an individual from working:

⁵ SSA, POMS, GN 00502.010 (February 25, 2003) and GN 00502.020 (December 4, 2007). We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

⁶ Id.

⁷ SSA, POMS, GN 00502.060.B.5 (May 15, 2012).

⁸ 20 C.F.R. §§ 404.2035 and 416.635.

⁹ SSA, POMS, GN 00502.001.B.5 (March 16, 2011).

¹⁰ Id.

¹¹ SSA, POMS, GN 00502.020 A.2 (December 4, 2007).

¹² SSA, *Disability Evaluation Under Social Security*, Blue Book – September 2008, 12.00 Mental Disorders – Adult, § 12.00 A.

(1) activities of daily living; (2) social functioning; (3) concentration, persistence, or pace; and (4) episodes of decompensation.^{13,14}

As of June 7, 2011, we had identified approximately 6.5 million beneficiaries who had a mental impairment. Of these 6.5 million beneficiaries, approximately 3 million already required a representative payee (see Table 1).

Table 1: Beneficiary Representative Payee Assignment

Payee Assigned?	Type of Benefits Received						Total
	Title II Only		Title XVI Only		Title II and XVI		
	Number	Percent	Number	Percent	Number	Percent	
Yes	954,393	32	1,690,158	62	322,878	45	2,967,429
No	2,060,476	68	1,032,586	38	397,793	55	3,490,855
Total	3,014,869	100	2,722,744	100	720,671	100	6,458,284

Of the 3.5 million beneficiaries who did not have a representative payee, approximately 3 million were age 15 to 65.¹⁵ For our review, we limited our population to the 895,151 beneficiaries who resided within 100 miles of an Office of Audit (OA) location.¹⁶ From those beneficiaries, we selected a sample of 275 beneficiaries to interview to obtain insight into their ability to manage or direct the management of their own funds. During the interviews, we observed the beneficiaries' ability to reason and communicate with others by asking a standard set of questions (see Appendix D).

These 275 beneficiaries had a range of mental impairments, with the most common being Affective Disorders, followed by Schizophrenic, Paranoid, and Other Psychotic Disorders and Organic Mental Disorders (see Chart 1).¹⁷

¹³ SSA, *Disability Evaluation Under Social Security*, supra at § 12.00 C.

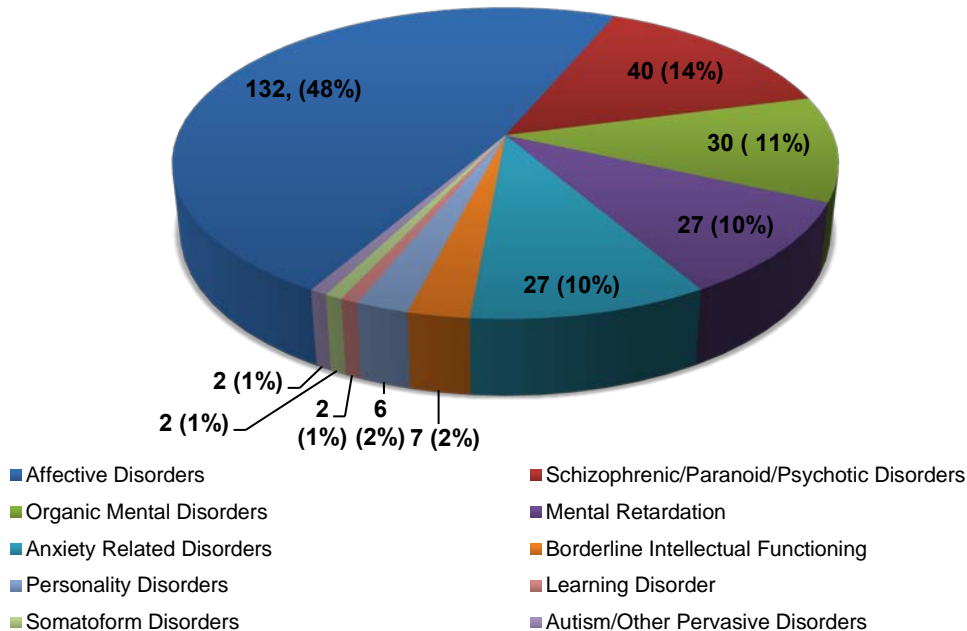
¹⁴ Episodes of decompensation are exacerbations or temporary increases in symptoms or signs accompanied by a loss of adaptive functioning. SSA, *Disability Evaluation Under Social Security*, supra at § 12.00 C.4.

¹⁵ Individuals under age 15 must receive benefits through a representative payee regardless of circumstance unless they have been legally emancipated. SSA, POMS, GN 00502.010 (February 25, 2003). We did not focus on these individuals in our review. In addition, when an individual receiving disability benefits reaches full retirement age (FRA), SSA converts the individual from disability benefits to retirement benefits. SSA, POMS, GN 00204.001.B (November 16, 2009). FRA used to be age 65 but now is some point after age 65, depending on the year of birth of the individual. SSA, POMS, RS 00615.003 (May 21, 2004). To ensure we excluded all individuals receiving retirement benefits, we excluded those age 65 or older from our review.

¹⁶ We would expect that the characteristics of those beneficiaries residing within 100 miles of an OA location would not differ from those who reside outside 100 miles of an OA location. OA maintains offices in Baltimore, Maryland; Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Falls Church, Virginia; Dallas, Texas; Kansas City, Missouri; Denver, Colorado; and Richmond, California.

¹⁷ See Appendix E for a description of mental impairments.

Chart 1: Sampled Beneficiary Mental Impairments



We were able to interview 203 (74 percent) of the 275 sampled beneficiaries. Of the remaining 72 (26 percent) beneficiaries, 19 refused to participate in our review, and we could not locate 53. See Appendices B and C for our scope and methodology as well as sampling methodology and results, respectively.

RESULTS OF REVIEW

Our review of a sample of 275 beneficiaries identified 64 (23 percent) who may have been incapable of managing or directing the management of their benefits. Based on the sample results, we estimate that 208,326 of the 895,151 mentally impaired beneficiaries in our population received over \$200 million in monthly benefits, but may have been incapable of managing or directing the management of those benefits. If these beneficiaries are, in fact, in need of a representative payee, we further estimate that benefits totaling over \$2.4 billion will be at risk of inappropriate use during a 1-year period (see Appendix C). We would expect that similar concerns exist for the approximately 2.1 million mentally impaired beneficiaries without a representative payee who were not included in our population.

Further, we were unable to interview 72 (26 percent) of the 275 sampled beneficiaries. Therefore, we could not determine whether they were alive or if concerns existed with their ability to manage or direct the management of their benefits. Accordingly, the monthly benefits of these beneficiaries may be at risk of inappropriate use.

In addition, we found over 6,000 beneficiaries were receiving benefits under both the DI and SSI programs but only had a representative payee assigned for 1 of the programs. Consequently, approximately \$2 million in monthly benefits may be at risk for these beneficiaries. If these beneficiaries are, in fact, in need of a representative payee, we further estimate that benefits totaling approximately \$24 million will be at risk of inappropriate use during a 1-year period.

BENEFICIARIES POSSIBLY INCAPABLE OF MANAGING THEIR BENEFITS

Our review disclosed that 64 (23 percent) of the 275 beneficiaries in our sample, receiving \$61,547 in monthly benefits, may be incapable of managing or directing the management of their benefits. These 64 beneficiaries had various mental impairments, with the largest number receiving benefits for Affective Disorders (see Table 2).

Table 2: Number of Beneficiaries by Impairment

Mental Impairment¹⁸	Total Sampled Beneficiaries	Total Interviewed Beneficiaries	Interviewed Beneficiaries Who May be Incapable
Affective Disorders	132	106	28
Schizophrenic/Paranoid/Psychotic Disorders	40	28	9
Organic Mental Disorders	30	19	8
Mental Retardation	27	17	6
Anxiety Related Disorders	27	22	8
Borderline Intellectual Functioning	7	5	2
Personality Disorders	6	3	2
Learning Disorder	2	1	0
Somatoform Disorders	2	1	0
Autism/Other Pervasive Disorders	2	1	1
Total	275	203	64

Projecting these results to our population of 895,151 mentally impaired beneficiaries, we estimate 208,326 beneficiaries were paid approximately \$200 million in monthly benefits but may have been incapable of managing or directing the management of those benefits (see Appendix C). If these beneficiaries are, in fact, in need of a representative payee, we further estimate that benefits totaling over \$2.4 billion will be at risk of inappropriate use during a 1-year period.

For example, one beneficiary in our sample received almost \$1,300 a month in benefits. During the interview, the beneficiary stated that she frequently forgot to pay her bills, which had resulted in services being cut off. The beneficiary also stated that she often wrote checks and did not realize there was not money in the account to pay the bills, which resulted in overdraft fees. In fact, the beneficiary stated that she had to pay \$300 in overdraft fees 1 month. Based on this information, we determined the

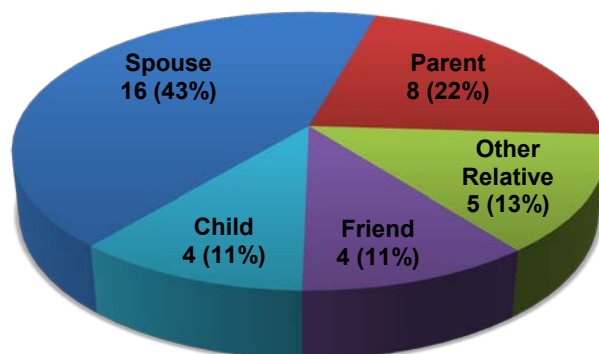
¹⁸ See Appendix E for a description of mental impairments.

beneficiary may have been incapable of managing or directing the management of her benefits.

Another beneficiary we interviewed resided with his parents and received \$472 in monthly benefits. The beneficiary's mother was present during the interview and answered the majority of the questions. The beneficiary did not understand most of the questions we asked and was not able to answer simple questions—such as name, address, and household members—without prompting from his mother. Other times, his responses were unrelated to the questions asked. During the interview, the beneficiary's mother admitted that the beneficiary was not capable of managing his daily living needs and paying his own bills. She stated that she and the beneficiary's father managed his finances. Therefore, the parents were serving as de facto payees.

In fact, of the 64 beneficiaries we determined may have been incapable of managing or directing the management of their own benefits, we found 37 (58 percent) had a de facto representative payee managing their benefits without SSA's knowledge and approval (see Chart 2). SSA had not evaluated these de facto payees' qualifications and suitability to serve the beneficiaries' best interests.¹⁹

Chart 2: De Facto Payees



¹⁹ Prospective representative payees are required to submit the proper representative payee application—the SSA-11. Representative payee applications are processed through SSA's Representative Payee System (RPS) unless it is not possible. When an application cannot be processed through RPS, the payee applicant must complete a paper version of the application, the SSA-11-BK. SSA, POMS, GN 00502.107 A. (October 4, 2010). In selecting a representative payee, SSA evaluates an applicant's qualifications and suitability to serve the beneficiary's interests. SSA generally requires face-to-face interviews with applicants to evaluate their suitability and explain their duties and responsibilities as representative payees. SSA, POMS, GN 00502.113 A. and B. (October 13, 2011). SSA also reviews the applicant's Social Security number; verifies identity and income; reviews criminal history; and evaluates any relationship to the beneficiary, custody arrangements, and past performance if they currently or previously served as a representative payee. SSA, POMS, GN 00502.117 (January 31, 2006), and GN 00502.132 (October 28, 2011).

SSA policy requires capability determinations when information suggests that beneficiaries may have a mental or physical impairment that prevents them from managing or directing the management of their benefits.²⁰ Accordingly, SSA should perform a capability determination for the 64 beneficiaries we identified as possibly incapable of managing or directing the management of their benefits. We will provide SSA with a list of the 64 beneficiaries for appropriate action.

In addition, SSA should consider options to make mentally impaired beneficiaries, their family members, and the public aware that a representative payee may be needed if situations change and an individual becomes incapable of managing or directing the management of their benefits. Some options SSA could consider include the following.

- **Mailings** – Send periodic mailings or an enclosure to the annual Cost-of-Living Adjustment notices to mentally impaired beneficiaries and their families to inform them of SSA’s Representative Payment Program.
- **Outreach** – Conduct educational outreach activities for the mental health community (doctors, case managers, organizations, etc.) to inform them of SSA’s Representative Payment Program. During our interviews, we found that 63 percent of the beneficiaries we interviewed was not aware of the Representative Payment Program.²¹
- **Mental Impairment Projects** – Identify a cost-effective way of conducting projects in which SSA schedules annual face-to-face interviews with mentally impaired beneficiaries to determine whether they are capable of managing or directing the management of their own benefits.

BENEFICIARIES WHO DECLINED TO PARTICIPATE OR COULD NOT BE LOCATED

We found that \$68,521 in monthly benefits received by 72 (26 percent) of the 275 beneficiaries in our sample may have been at risk of inappropriate use.

- When contacted, 19 beneficiaries declined to participate in our review.
- Although we made several attempts, we were unable to contact 53 beneficiaries.²²

²⁰ SSA, POMS, GN 00502.020 A. (December 4, 2007).

²¹ Eight beneficiaries did not answer the question about whether they were aware of the Representative Payment Program. Therefore, the 63 percent is based on 195 instead of 203 interviews.

²² We attempted to call beneficiaries with a valid telephone number at least three times to arrange for an interview. See Appendix B for a detailed discussion of the scope and methodology.

As such, we could not determine whether these 72 beneficiaries were still alive²³ or if concerns existed with their ability to manage or direct the management of their own benefits.

For the individuals we interviewed, we found 23 percent may have been incapable of managing or directing the management of their benefits. Therefore, if 23 percent of these 72 beneficiaries is also incapable of managing or directing the management of their benefits, we estimate that an additional 53,904 of the 895,151 mentally impaired beneficiaries in our population received approximately \$51 million in monthly benefits but may have been incapable of managing or directing the management of their benefits (see Appendix C). If these beneficiaries do, in fact, need a representative payee, we further estimate that approximately \$616 million in benefits will be at risk of inappropriate use during a 1-year period.

SSA should contact these 72 beneficiaries to verify their continued benefit eligibility and, if eligible, determine whether they are capable of managing their benefits. We will provide SSA with a list of the 72 beneficiaries for appropriate action.

BENEFICIARIES WHO HAVE A REPRESENTATIVE PAYEE FOR ONLY ONE TITLE

Of the 6.5 million beneficiaries we initially identified as having a mental impairment, we found 6,076 received benefits under both the DI and SSI programs but only had a representative payee assigned for 1 of the programs. SSA policy directs to assume the initial determinations about a beneficiary's capability/incapability remains in effect for any other benefits to which the beneficiary becomes entitled, unless there is new evidence about the beneficiary's capability/incapability. In addition, the policy also directs that one representative payee be appointed for all benefits to which the beneficiary is entitled.²⁴ Therefore, if these beneficiaries require a representative payee for benefits under one program, they should have had a representative payee assigned under the other program as well. Consequently, these beneficiaries have approximately \$2 million in monthly benefits that may be at risk. Specifically,

- 2,248 beneficiaries with only a representative payee for DI directly received \$423,803 in monthly SSI payments; and
- 3,828 beneficiaries with only a representative payee for SSI directly received \$1,552,663 in monthly DI benefits.

If these beneficiaries do, in fact, need a representative payee, we further estimate that approximately \$24 million in benefits will be at risk of inappropriate use during a 1-year period.²⁵ Accordingly, SSA should determine whether the 6,076 concurrent

²³ Since we were unable to verify the identities of the beneficiaries who refused to participate, we cannot be certain that we spoke with the actual beneficiary.

²⁴ SSA, POMS, GN 00502.060.B.5 (May 15, 2012).

²⁵ Annual benefits represent \$1,976,466 in benefits that may be at risk multiplied by 12 months.

beneficiaries should have their benefits paid directly or through a representative payee. In addition, SSA should remind technicians to verify whether beneficiaries are concurrently entitled when making representative payee determinations.²⁶ We will provide SSA with a list of the 6,076 beneficiaries for appropriate action.

CONCLUSION AND RECOMMENDATIONS

Based on the results of our interviews, we estimate that over 208,000 of the 895,151 mentally impaired beneficiaries in our population received over \$200 million in monthly benefits and may have been incapable of managing or directing the management of their benefits. If these beneficiaries do, in fact, need a representative payee, we further estimate over \$2.4 billion in benefits, annually, will be at risk of inappropriate use.

SSA policy mandates that employees always be alert to changes in circumstances that might indicate the need for a new capability determination.²⁷ However, over \$2.4 billion in benefits may be at risk of inappropriate use because SSA does not have a process to identify mentally impaired beneficiaries who become incapable of managing or directing the management of their benefits after their initial entitlement.

In addition, we estimate that approximately \$2 million in monthly benefits are at risk because 6,076 beneficiaries received benefits under both the DI and SSI programs, but only have a representative payee assigned for 1 of the programs. If these beneficiaries do, in fact, need a representative payee, we further estimate approximately \$24 million in benefits will be at risk of inappropriate use, annually.

We recommend SSA:

1. Perform a capability determination for the 64 beneficiaries we identified as possibly incapable of managing or directing the management of their benefits.
2. Consider options to make mentally impaired beneficiaries, their family members, and the public aware that a representative payee may be needed if situations change and an individual becomes incapable of managing or directing the management of their benefits.
3. Contact the 72 beneficiaries whom we could not locate or refused to participate in our review to verify their continued benefit eligibility and, if eligible, determine whether they are capable of managing their benefits.
4. Determine whether the 6,076 concurrent beneficiaries should have their benefits paid directly or through a representative payee.

²⁶ We made similar recommendations in a prior audit. SSA, OIG, *Follow-up: Concurrent Title II and XVI Beneficiaries Receiving Representative Payee and Direct Payments* (A-09-09-19019), August 2009.

²⁷ SSA, POMS, GN 00502.020 A.6 (May 18, 2012).

5. Remind SSA technicians to verify whether beneficiaries are concurrently entitled when making representative payee determinations.

AGENCY COMMENTS

SSA agreed with our recommendations. In a general comment, SSA noted that the recommendations in the report seem to focus heavily on a small sample of individuals rather than addressing the broader issue of whether we should amend our policies and procedures to address capability in mental impairment determinations. Our review did not focus on the agency's policies and procedures for capability determinations. However, we agree that the agency may want to evaluate whether changes are needed in its policies and procedures used to address capability in mental impairment determinations. See Appendix F for the full text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Interview Guide

APPENDIX E – Description of Mental Impairments

APPENDIX F – Agency Comments

APPENDIX G – OIG Contacts and Staff Acknowledgments

Acronyms

C.F.R.	Code of Federal Regulations
DI	Disability Insurance
FY	Fiscal Year
FRA	Full Retirement Age
MBR	Master Beneficiary Record
OA	Office of Audit
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

Scope and Methodology

To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations, the Social Security Administration's (SSA) Program Operations Manual System, and other policy memorandums.
- Reviewed prior Office of the Inspector General reports.
- Obtained data extracts from SSA's Master Beneficiary (MBR) and Supplemental Security Records (SSR) of 6,458,284 beneficiaries in current pay with a mental impairment as of June 2011. From these files, we identified 2,968,294 beneficiaries who
 - ✓ did not have a representative payee assigned and
 - ✓ were age 15 to 65.¹

For our review, we limited our population to 895,151 beneficiaries who resided within 100 miles of an Office of Audit (OA) location.²

- Selected a random sample of 275 beneficiaries for review. For each sampled beneficiary, we
 - ✓ obtained queries from SSA's MBR and/or SSR;
 - ✓ reviewed LexisNexis and public databases (such as www.zabasearch.com and www.whitepages.com) to obtain current address information for selected beneficiaries;

¹ Individuals under age 15 must receive benefits through a representative payee regardless of any circumstances unless they have been legally emancipated. SSA, POMS, GN 00502.010 (February 25, 2003). We did not focus on these individuals in our review. In addition, when an individual receiving disability benefits reaches full retirement age (FRA), SSA converts the individual from disability benefits to retirement benefits. SSA, POMS, GN 00204.001.B (November 16, 2009). FRA used to be age 65 but now is some point after age 65, depending on the year of birth of the individual. SSA, POMS, RS 00615.003. (May 21, 2004). To ensure we excluded all individuals receiving retirement benefits, we excluded those age 65 or older from our review.

² We expect that the characteristics of those beneficiaries residing within 100 miles of an OA location do not differ from those who reside outside 100 miles of an OA location. OA maintains offices in Baltimore, Maryland; Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Falls Church, Virginia; Dallas, Texas; Kansas City, Missouri; Denver, Colorado; and Richmond, California.

- ✓ mailed up to three letters regarding our review; and
- ✓ attempted to interview them to determine their ability to manage or direct the management of their benefits.³
- Projected the number of beneficiaries who may have been incapable of managing or directing the management of their benefits.

Between September 2011 and April 2012, we performed audit work within 100 miles of Baltimore, Maryland; Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Falls Church, Virginia; Dallas, Texas; Denver, Colorado; Kansas City, Missouri; and Richmond, California. The entities reviewed were SSA's field offices under the Office of Operations.

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 tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³ We attempted to call beneficiaries with a valid telephone number at least three times to arrange for an interview. See Appendix D for the interview questions we asked beneficiaries.

Sampling Methodology and Results

Based on data extracts from the Social Security Administration's (SSA) Master Beneficiary (MBR) and Supplemental Security Records (SSR), we identified a population of 2,968,294 beneficiaries who

- were in current pay as of June 2011;
- had a primary diagnosis that indicated they had a mental impairment;
- were receiving Disability Insurance (DI) benefits, or Supplemental Security Income (SSI), or both DI and SSI;
- did not have a representative payee assigned; and
- were age 15 to 65.¹

Of the population of 2,968,294 beneficiaries, 895,151 resided within 100 miles of an Office of Audit (OA) location.²

We randomly selected 275 beneficiaries to identify potential vulnerabilities of direct payment to beneficiaries with mental impairments and determine whether additional safeguards were needed to ensure their funds are properly managed. Specifically, we attempted to interview each beneficiary in our sample to identify concerns with their ability to manage or direct the management of his/her benefits using a standard set of questions (see Appendix D).

¹ Individuals under age 15 must receive benefits through a representative payee regardless of any circumstances unless they have been legally emancipated. SSA, POMS, GN 00502.010 (February 25, 2003). We did not focus on these individuals in our review. In addition, when an individual receiving disability benefits reaches full retirement age (FRA), SSA converts the individual from disability benefits to retirement benefits. SSA, POMS, GN 00204.001.B (November 16, 2009). FRA used to be age 65 but now is some point after age 65, depending on the year of birth of the individual. SSA, POMS, RS 00615.003 (May 21, 2004). To ensure we excluded all individuals receiving retirement benefits, we excluded those age 65 or older from our review.

² We would expect that the characteristics of those beneficiaries residing within 100 miles of an OA location would not differ from those who reside outside 100 miles of an OA location. The OA maintains offices in Baltimore, Maryland; Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Falls Church, Virginia; Dallas, Texas; Kansas City, Missouri; Denver, Colorado; and Richmond, California.

Table C-1: Population and Sample Size

Description	Number of Beneficiaries
Population Size	895,151
Sample Size	275

We determined that 64 beneficiaries, receiving \$61,547 in monthly benefits, may have been incapable of managing or directing the management of their benefits. As shown in Table C-2, we estimate that 208,326 of the 895,151 mentally impaired beneficiaries in our population received over \$200 million in monthly benefits but may have been incapable of managing or directing the management of their benefits. If these beneficiaries do, in fact, need a representative payee, we further estimate that over \$2.4 billion in benefits will be at risk of inappropriate use during a 1-year period.³

Table C-2: Beneficiaries Incapable of Managing Their Benefits

Description	Number of Beneficiaries	Monthly Benefits
Sample Results	64	\$61,547
Point Estimate	208,326	\$200,342,671
Projection - Lower Limit	171,247	\$159,208,576
Projection - Upper Limit	249,308	\$241,476,766
Annual Estimate for Population		\$2,404,112,052

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

In addition, we found \$68,521 in monthly benefits received by 72 beneficiaries may have been at risk of inappropriate use because either we could not locate them (53 beneficiaries) or they refused to participate in our review (19 beneficiaries). As shown in Table C-3, if 23 percent of these beneficiaries is also incapable of managing or directing the management of their benefits, we estimate that an additional 53,904 of the 895,151 mentally impaired beneficiaries in our population received about \$51 million in monthly benefits but may have been incapable of managing or directing the management of their benefits.⁴ If these beneficiaries do, in fact, need a representative payee, we further estimate that approximately \$616 million in benefits will be at risk of inappropriate use during a 1-year period (see Table C-3).⁵

³ Annual benefits represent the monthly benefits point estimate for the population multiplied by 12 months.

⁴ Since it is uncertain whether all 72 beneficiaries may be incapable of managing their own benefits, we took a conservative approach and used 23 percent. The 23 percent comes from our finding that 64 (23 percent) of the 275 sampled beneficiaries may have been incapable of managing or directing the management of their benefits.

⁵ Annual benefits represent 23 percent of the monthly benefits point estimate for the population multiplied by 12 months.

Table C-3: Other At Risk Beneficiaries Who May be Incapable of Managing Their Benefits

Description	Number of Beneficiaries	23 Percent of Beneficiaries	Monthly Benefits	23 Percent of Monthly Benefits
Sample Results	72		\$68,521	
Point Estimate	234,367	53,904	\$223,041,878	\$51,299,632
Projection - Lower Limit	195,570		\$180,373,769	
Projection - Upper Limit	276,635		\$265,709,986	
Annual Estimate for Population			\$2,676,502,536	\$615,595,584

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

Interview Guide

We interviewed 203 of the 275 sampled beneficiaries to obtain insight into their ability to manage or direct the management of their own funds. During the interviews, we observed the beneficiaries' ability to reason and function with others by asking the questions listed below.^{1,2}

We found that 64 (23 percent) of the 203 beneficiaries we interviewed may be incapable of managing or directing the management of their benefits. Our conclusion that a beneficiary may be incapable of managing or directing the management of their benefits was based on various issues disclosed during the interview. Those issues included interview responses that indicated the beneficiary (1) did not remember to pay bills, take medications, or go to doctor appointments and (2) already had a de facto representative payee managing his/her benefits without the Social Security Administration's (SSA) knowledge and approval.

Questions Asked During Beneficiary Interview

1. Do you live alone? If no,
 - a. Who lives with you?
2. Have you ever lived with people who did not pay their share of the rent or other expenses?
3. About how much in Social Security benefits do you receive each month?
4. Do you receive your Social Security benefits by check or through direct deposit?
5. What do you usually spend your money on each month?
6. What are the most important things that you spend your money on?
7. Do you pay for the things yourself or does someone else pay them for you?
8. Have you ever forgotten to pay any of your bills? If yes,
 - a. How often do you forget to pay your bills?
 - b. How did you end up remembering to pay the bills?
9. Do you have a savings account and/or checking account?

¹ The questions we asked beneficiaries are similar to the questions SSA asks when performing a capability determination.

² SSA, POMS, GN 00502.050 (September 15, 2011).

- a. Do you write your own checks or does someone else write the checks for you?
 - b. Have you ever written a check when you have not had money in the bank? If yes,
 - i. How many times has this happened?
 - ii. Why do you think this happened?
 - iii. What did you do about it when it happened?
 - c. How often do you receive a statement from the bank?
 - d. What do you do with the bank statement?
10. How many meals do you usually eat each day?
11. Do you go to the store to buy groceries?
- a. If yes, how do you get there?
 - b. If no, does anyone else buy groceries for you? If yes,
 - i. who buys them for you?
12. Do you decide what groceries you need to buy? If no,
- a. Who decides for you?
13. Have you ever run out of food or not been provided with enough food? If yes,
- a. Why did this happen?
 - b. What did you do about it?
14. How is your overall health?
15. How often do you see a doctor?
16. How do you pay medical bills or purchase medicine?
17. Have you ever needed help remembering when to take your medication or how much medication to take?
18. Do you have friends or relatives nearby that help you out in any way?
19. Do you ask your friends or relatives for help when you need it?
20. Do friends or relatives help you figure out how to manage your money?
21. Do friends or family ever borrow money from you and not pay you back?
22. Do people ever borrow things you own and not give them back?
23. In the past year, how many times have you visited a Social Security field office?
- a. What were the reason(s) for the visit(s)?

24. Are you aware that SSA has a Representative Payee Program that assists people who need help managing their benefits?
- a. Are you interested in receiving additional help with managing your benefits?
 - b. Would you like more information about the Representative Payee Program?
25. Is there anything you would like to bring to the attention of Social Security?

Description of Mental Impairments

The evaluation of disability on the basis of mental disorders requires documentation of a medically determinable impairment(s), consideration of the degree of limitation such impairment(s) may impose on the individual's ability to work, and consideration of whether these limitations have lasted or are expected to last for a continuous period of at least 12 months. SSA classifies mental disorders in the following diagnostic categories.¹

1. **Organic mental disorders**—symptoms may include, but are not limited to, disorientation of time and place, memory impairment, hallucinations or delusions, and loss of measured intellectual ability.
2. **Schizophrenic, paranoid, and other psychotic disorders**—characterized by the onset of psychotic features with deterioration from a previous level of functioning, which may include persistent delusions or hallucinations, catatonic or other grossly disorganized behavior, or incoherence.
3. **Affective disorders**—characterized by a disturbance of mood, accompanied by a full or partial manic or depressive syndrome.
4. **Mental retardation**—refers to significantly sub-average general intellectual functioning with deficits in adaptive functioning initially manifested during the developmental period (before age 22). Mental incapacity may be evidenced by dependence upon others for basic personal needs (for example, toileting, eating, dressing, or bathing) and inability to follow directions.
5. **Anxiety-related disorders**—anxiety is either the predominant disturbance or it is experienced if the individual attempts to master symptoms; for example, confronting the dreaded object or situation in a phobic disorder, or resisting the obsessions or compulsions in obsessive-compulsive disorders.
6. **Somatoform disorders**—characterized by physical symptoms for which there are no demonstrable organic findings or known physiological mechanisms.
7. **Personality disorders**—exists when personality traits are inflexible and maladaptive and cause either significant impairment in social or occupational functioning or subjective distress. Symptoms may include seclusion or autistic thinking, or oddities of thought, perception, speech or behavior.
8. **Substance addiction disorders**—characterized by behavioral or physical changes associated with the regular use of substances that affect the central nervous system.

¹ SSA, Disability Evaluation Under Social Security, supra at §§ 12.02 to 12.10.

9. **Autistic disorder and other pervasive developmental disorders**—characterized by qualitative deficits in the development of reciprocal social interaction, in the development of verbal and nonverbal communication skills, and in imaginative activity. Often, there is a markedly restricted repertoire of activities and interests, which frequently are stereotyped and repetitive.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: September 21, 2012 **Refer To:** S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Disabled Individuals with Mental Impairments in Need of a Representative Payee” (A-07-11-11110)—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 Amy Thompson at (410) 966-0569.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS IN NEED OF A REPRESENTATIVE PAYEE” (A-07-11-11110)

General Comment

Based on the sample size and scope of the Office of the Inspector General’s (OIG) review, we believe the results are not a reliable representation of mentally disabled beneficiaries nationwide. OIG derived the sample from a group of 275 beneficiaries with a wide range of mental impairments within specific geographical boundaries. Of the 275 beneficiaries sampled, 203 answered a small number of interview questions that were supposed to assist in assessing capability. Although the report states that the questions are similar to those asked by our field office staff, it neglects to mention the fact that we have a medical doctor perform a capability assessment based on medical evidence, prior to the field office interview. Finally, we note that the recommendations in the report seem to focus heavily on this small sample of individuals rather than addressing the broader issue of whether we should amend our policies and procedures to address capability in mental impairment determinations.

Recommendation 1

Perform a capability determination for the 64 beneficiaries we identified as possibly incapable of managing or directing the management of their benefits.

Response

We agree.

Recommendation 2

Consider options to make mentally impaired beneficiaries, their family members, and the public aware that a representative payee may be needed if situations change and an individual becomes incapable of managing or directing the management of their benefits.

Response

We agree to the extent that any contact with family members or the public remain compliant with the Privacy Act and our disclosure rules.

Recommendation 3

Contact the 72 beneficiaries whom we could not locate or refused to participate in our review to verify their continued benefit eligibility and, if eligible, determine whether they are capable of managing their benefits.

Response

We agree.

Recommendation 4

Determine whether the 6,076 concurrent beneficiaries should have their benefits paid directly or through a representative payee.

Response

We agree.

Recommendation 5

Remind SSA technicians to verify whether beneficiaries are concurrently entitled when making representative payee determinations.

Response

We agree.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Mark Bailey, Director, Kansas City Audit Division

Shannon Agee, Audit Manager, Kansas City Audit Division

Acknowledgments

In addition to those named above:

Katherine Muller, Senior Auditor

Kenneth Bennett, IT Specialist

Brennan Kraje, Statistician

For additional copies of this report, please visit our web site at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965 4518. Refer to Common Identification Number A-07-11-11110.

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Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.