

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**STATE AND FEDERAL PROCEDURES CAN BE
IMPROVED TO ENSURE THAT SSI/SSP RECIPIENTS
RECEIVE THEIR SOCIAL SECURITY BENEFITS**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

070

STATE AND FEDERAL
PROCEDURES CAN BE IMPROVED
TO ENSURE THAT SSI/SSP RECIPIENTS
RECEIVE THEIR SOCIAL SECURITY BENEFITS

AUGUST 1982



California Legislature

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 CHAIRMAN

August 20, 1982

The Honorable President pro Tempore of the Senate
 The Honorable Speaker of the Assembly
 The Honorable Members of the Senate and the
 Assembly of the Legislature of California

P-070

Members of the Legislature:

The Joint Legislative Audit Committee respectfully submits the Auditor General's report on eligibility of SSI/SSP recipients for OASDI. The report responds to a request to determine the extent to which SSI/SSP recipients are eligible for but are not receiving benefits from the OASDI program. The federal government pays a larger share of the OASDI recipient benefits reducing the state supplementary program payments. Also, OASDI recipients are covered by the federal Medicare program while SSI/SSP recipients are on Medi-Cal.

The auditors were unable to determine whether or not all SSI/SSP recipients eligible for OASDI were included in that program. Lack of information in recipients' records and inadequate procedures for determining eligibility may have precluded the state from realizing savings from identifying those SSI/SSP recipients who are eligible for OASDI. Audit samples of state hospital patients not receiving OASDI benefits found that 4.4% of the sample cases appear to be eligible for OASDI.

The Department of Finance and the State Controller's Office are in the process of auditing the SSI/SSP program. Under a June 1982 agreement between the Department of Social Services and the Social Security Administration, those auditors have access to the SSA's records and operations to test the effectiveness of systems to identify SSI/SSP recipients eligibility for OASDI benefits.

Respectfully submitted,

WALTER M. INGALLS
 Chairman Joint Legislative
 Audit Committee

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SUMMARY

We reviewed the Supplemental Security Income/State Supplementary Program (SSI/SSP) to determine the extent to which SSI/SSP recipients are eligible for, but are not receiving, benefits from the Federal Old-Age, Survivors, and Disability Insurance (OASDI) program. Whenever an SSI/SSP recipient becomes eligible for OASDI, the federal government pays a much greater portion of that recipient's benefits, and the State saves money. Although the Social Security Administration should identify SSI/SSP recipients who qualify for OASDI benefits, some disabled recipients may have been overlooked because of the lack of certain information, specifically, the names and social security numbers of parents.

State agencies do very little monitoring of the SSI/SSP population for OASDI eligibility. State hospitals do some monitoring of disabled SSI/SSP recipients, but these hospitals provide services to less than 1 percent of the entire SSI/SSP population. The staff members at one state hospital were not following monitoring guidelines; as a result, some SSI/SSP recipients who may be eligible for OASDI benefits are not receiving them. In addition, regional centers that provide services to a larger portion of the disabled SSI/SSP population

have no established monitoring procedures. Furthermore, the regional centers do not retain the information needed to monitor the OASDI eligibility status of SSI/SSP recipients.

Although it would seem useful to have a statewide monitoring system to identify SSI/SSP recipients eligible for OASDI, we could not determine whether such a system would be economical. Because of legal restrictions, we could not audit the Social Security Administration to test the effectiveness of its procedures to identify those eligible for OASDI benefits.

To ensure that SSI/SSP recipients eligible for OASDI benefits are identified, the State Department of Social Services should encourage the Federal Social Security Administration to adopt the proposal by its Region IX office to include on the SSI/SSP application form the names and the social security numbers of the applicant's parents.

Furthermore, the Department of Developmental Services should require all state hospitals to review periodically the OASDI eligibility of all SSI/SSP recipients. The department should also require regional centers to develop a monitoring system that would also identify SSI/SSP recipients eligible for OASDI benefits.

Finally, the State Department of Social Services should ask the Department of Finance and the State Controller's Office to review the effectiveness of the Social Security Administration's system for identifying SSI/SSP recipients eligible for OASDI benefits. Based on this review, the Department of Social Services should determine the feasibility of implementing a statewide monitoring system to identify SSI/SSP recipients eligible for OASDI benefits.

INTRODUCTION

In response to a request by the Joint Legislative Audit Committee, we reviewed the Supplemental Security Income/State Supplementary Program (SSI/SSP) to determine if recipients are eligible for Federal Old-Age, Survivors, and Disability Insurance (OASDI) benefits. This review was conducted under the authority vested in the Auditor General by Sections 10527 through 10528 of the Government Code.

BACKGROUND

The Federal Social Security Administration is responsible for the administration of both the SSI/SSP and the OASDI programs. Administrative responsibilities include determining eligibility and payment levels, maintaining records, and making payments.

The Supplemental Security Income/State Supplementary Program (SSI/SSP)

The SSI/SSP provides cash grant assistance to aged, blind, or disabled individuals who meet the program's income and resource requirements. California supplements the basic federal Supplemental Security Income (SSI) payment with an

additional State Supplementary Program (SSP) payment. The combined SSI/SSP payment is intended to cover the recipient's basic needs and living expenses.

In fiscal year 1981-82, the federal government and the State shared the estimated \$2.139 billion cost of the SSI/SSP program; the federal government provided an estimated \$870 million for the SSI portion, and the State provided an estimated \$1.269 billion for the SSP portion. Approximately 700,000 California residents received monthly SSI/SSP benefits in 1981-82.

In addition to the cash grants, SSI/SSP recipients receive free medical services under California's Medi-Cal program. The cost of these medical services is shared equally by the State and the federal government.

The State Department of Social Services is responsible for monitoring the federal SSI/SSP payment operation to assure that state funds are accurately expended and that recipients properly receive payments. Some disabled SSI/SSP recipients receive care and treatment at state

hospitals and regional centers.* The State Department of Developmental Services is responsible for general administrative control over these state hospitals and regional centers.

The Old-Age, Survivors,
and Disability Insurance
(OASDI) Program

The OASDI program, commonly known as the Social Security Program, provides monthly cash benefits to retired and disabled workers, to their spouses and children, and to any survivors of workers who were insured. The OASDI program is supported by compulsory contributions from self-employed individuals and from workers' earnings that are withheld and matched by employers and then credited to the Social Security trust funds. The trust funds pay for the benefits and administrative costs of the program.

To qualify for OASDI benefits, a person must be age 62 or older and retired, under age 65 and disabled, an eligible spouse of an insured individual, or a qualified survivor or dependent of an insured individual. In addition, the person

* Regional centers are private nonprofit corporations under contract to the State to coordinate services in the community for individuals with special developmental needs. State hospitals provide care, treatment, and developmental services to individuals referred by the regional centers or the courts.

must have made contributions into the Social Security trust fund for a specified number of calendar quarters. Children who are under age 18, 18 to 23 and attending school full time, or 18 and older and disabled before age 22 may also qualify for OASDI benefits if their parents are receiving disability benefits, retirement insurance benefits, or survivor benefits.*

OASDI recipients who are 65 or older or who are under 65 and disabled are eligible for the federal Medicare program, which provides comprehensive health insurance protection to the aged, to the disabled, and to those suffering from chronic kidney disease. Medicare is financed through the Social Security trust fund premiums paid by each recipient, by the State for individuals receiving welfare assistance, and by federal general tax revenues.

Persons may be eligible for both SSI/SSP and OASDI programs. Whenever this situation occurs, the SSI/SSP payment is reduced by the amount of the OASDI benefit.

* The term "parents" may include other relatives, stepparents, grandparents, and parents of adopted children if the child is dependent on the relative for support.

SSI/SSP Recipients
Eligible for OASDI
Can Save the State Money

The State's cost of providing benefits to an SSI/SSP recipient is reduced whenever that recipient begins receiving OASDI and Medicare benefits. When an SSI/SSP recipient becomes eligible for Medicare, the State's Medi-Cal program costs are reduced because medical costs, previously paid by Medi-Cal, are paid by the federal Medicare program.

For each state hospital resident, the Department of Developmental Services estimates that the State's General Fund saves an average of \$2,210 per year when an SSI/SSP recipient is transferred from the Medi-Cal program to the Medicare program. For other disabled SSI/SSP recipients, the Department of Health Services estimates that approximately \$765 per year is saved by such transfers, and for all SSI/SSP recipients, the department estimates that the State saves an average of \$535 per year.

In addition to Medi-Cal savings, the State's program costs for the SSP are reduced if an individual's OASDI payment is larger than the SSI portion of the SSI/SSP payment. When an SSI/SSP recipient becomes eligible for OASDI, the Social Security Administration offsets the amount of the OASDI benefit against the federal SSI payment before reducing the State's SSP

portion. For example, an SSI/SSP recipient receives \$300, consisting of a \$100 SSI payment and a \$200 SSP payment. This recipient then becomes eligible for a \$200 OASDI benefit. According to the Social Security Administration, the federal SSI portion of the SSI/SSP payment would be reduced to zero, and the State's SSP portion would be reduced by \$100. However, if the OASDI payments are less than the federal SSI portion of the payment, the State's program costs for SSP would remain the same.

SCOPE AND METHODOLOGY

The objective of our review was to determine the extent to which SSI/SSP recipients are eligible for OASDI benefits. To meet this objective, we reviewed federal and state laws and regulations to determine statutory requirements for the SSI/SSP and the OASDI programs. We interviewed program officials at the Federal Social Security Administration to obtain a description of the federal process that assures that SSI/SSP recipients receive their OASDI benefits. We were unable to verify that the federal procedures actually worked as described because we did not have legal authority to audit the Social Security Administration or to review individuals' social security records. We also interviewed staff at the State Department of Social Services and the State Department of Developmental Services.

Additionally, we interviewed officials from state hospitals and regional centers. At one state hospital and one regional center, we selected a sample of SSI/SSP recipients who were not receiving OASDI benefits. We reviewed the files to obtain the social security numbers of both the SSI/SSP recipient and the recipient's parents. We then submitted these social security numbers to the Social Security Administration to identify the SSI/SSP recipients eligible for OASDI benefits based on their parents' OASDI eligibility.

At 4 state hospitals, we reviewed the procedures used to identify recipients who are eligible for OASDI benefits, and we interviewed officials at 12 regional centers to determine if procedures exist to identify those SSI/SSP recipients who may be eligible for OASDI benefits.

AUDIT RESULTS

STATE AND FEDERAL PROCEDURES CAN BE IMPROVED TO ENSURE THAT SSI/SSP RECIPIENTS RECEIVE THEIR SOCIAL SECURITY BENEFITS

Although the Social Security Administration's application process and computer system should identify SSI/SSP recipients eligible for OASDI benefits, the Social Security Administration sometimes does not have important information about the parents of disabled SSI/SSP recipients. As a result, the Social Security Administration may not be identifying disabled SSI/SSP recipients who are entitled to OASDI benefits because their parents are or were OASDI beneficiaries.

State agencies routinely review only a small percentage of the SSI/SSP population for potential OASDI eligibility. The state hospital system, which is responsible for less than 1 percent of the SSI/SSP population, has monitoring procedures to identify potentially eligible OASDI recipients, but not all hospitals follow these procedures. Regional centers that provide services to SSI/SSP recipients have no monitoring procedures. Further, the regional centers do not maintain sufficient information to determine OASDI eligibility. Although it may be advantageous for the

Department of Social Services to develop a system to monitor the OASDI eligibility of all SSI/SSP recipients, we were unable to assess the potential value of such a system because we did not have the authority to audit the Social Security Administration and test its effectiveness in identifying those eligible for OASDI benefits.

The Social Security
Administration's System

According to officials at the Social Security Administration, various features of the Social Security Administration's application process and computer system should identify SSI/SSP recipients who are eligible for OASDI. Persons who apply for SSI/SSP are interviewed by Social Security Administration staff during the application process to determine if they may be eligible for other federal benefits, including OASDI benefits. Using the applicant's social security number, the Social Security Administration's computer searches its records to see if the individual has made the necessary contributions to qualify for OASDI benefits. The computer system can further check for an applicant's OASDI eligibility by searching the OASDI file for parents who qualify for OASDI. To perform this check, however, the Social Security Administration must have the names and social security numbers of the parents.

The eligibility of an SSI/SSP recipient for OASDI can also be detected when a recipient's parents apply for OASDI benefits. The OASDI application forms ask the parents to list the names of any children who could be eligible for OASDI benefits. Specifically, the application form requires the names of all children under age 18, all children age 18 to 23 and attending school full time, and all disabled children age 18 and over who were disabled before reaching age 22. Using this information, the computer checks its SSI/SSP recipient files to identify those children who are eligible to receive OASDI benefits.

These features of the Social Security Administration's application process and computer system should therefore identify almost all SSI/SSP recipients eligible for OASDI benefits. However, our review disclosed potential weaknesses in the federal system that may be allowing some cases to go undetected. First, the SSI/SSP application form does not specifically require the applicants to report the names and social security numbers of their parents. Without these names and social security numbers, the Social Security Administration's computer cannot determine whether SSI/SSP recipients are eligible for OASDI based on the social security records of their parents. We discussed this weakness with the Chief of the Assistance Program Branch of the Social Security

Administration at the Region IX office in San Francisco. Based both on this discussion and on our findings at one state hospital and one regional center (discussed later in this report), Region IX officials have recommended that the Social Security Administration amend the SSI/SSP application form to require the names and social security numbers of applicants' parents.

The OASDI application process is another area where SSI/SSP recipients eligible for OASDI may not be identified. If parents do not list their children on the OASDI application form, the Social Security Administration's computer is unable to match parents with their children when searching through its files. We also discussed this weakness with the Chief of the Assistance Program Branch. He agreed that this problem could occur and that it would most likely occur with disabled individuals who are separated from their parents, such as those residing in state hospitals or under the supervision of a regional center.

The State Does
Limited Monitoring
of SSI/SSP Recipients

State agencies do limited monitoring of the SSI/SSP population to identify those recipients who may be eligible for OASDI benefits. Approximately 400,000 of the estimated 700,000

individuals receiving SSI/SSP benefits also receive OASDI benefits. The State Department of Social Services has no system to monitor the remaining 300,000 recipients for OASDI eligibility. Although state hospitals perform some monitoring activities, less than 1 percent of the State's SSI/SSP recipients, or approximately 5,500 individuals, live in state hospitals. All other SSI/SSP recipients not receiving OASDI benefits, including clients served by the regional centers, are not monitored for OASDI eligibility.

State Hospitals

Department of Developmental Services' guidelines require all state hospitals to develop a system to monitor the relevant eligibility criteria of parents of SSI/SSP recipients; these criteria include birthdates, disabilities, and deaths. Once it appears that a parent is eligible for OASDI, a hospital staff member asks the Social Security Administration to determine if the parents have applied for, or are receiving, OASDI benefits. For example, state hospital staff would ask the Social Security Administration to determine an SSI/SSP recipient's eligibility for OASDI when that recipient's parent is likely to apply for benefits, such as when the parent reaches age 62 or when hospital staff receive notice that a parent has died or become disabled.

Three of the four state hospitals we visited had developed monitoring procedures to identify SSI/SSP recipients who may be eligible for OASDI benefits. The fourth state hospital we visited also had established monitoring procedures, but staff members were not following the procedures. As a result of our audit, the department has established a formal system for each state hospital to review and update files and to identify SSI/SSP recipients eligible for OASDI.

To assess the effect of not following monitoring procedures at the fourth state hospital, we submitted to the Social Security Administration the social security numbers of a sample of SSI/SSP recipients and their parents. Our sample consisted of 318 of the hospital's 846 SSI/SSP recipients who were not receiving OASDI benefits. The Social Security Administration reported that 14 SSI/SSP recipients, 4.4 percent of the sample, appear to be eligible for OASDI benefits based on their parents' eligibility.*

* The Social Security Administration stated that final eligibility determination of these cases will be completed later this year. Currently, the cases have been referred to local Social Security district offices for additional work to confirm OASDI eligibility.

Regional Centers

The 12 regional centers we contacted do not have monitoring procedures to identify SSI/SSP recipients who may be eligible for OASDI benefits. Further, regional centers do not routinely record the parents' social security numbers for recipients not receiving OASDI benefits. The regional centers rely on the Social Security Administration to identify SSI/SSP recipients who are eligible for OASDI benefits.

We reviewed a sample of SSI/SSP recipient files at one regional center that provided services to approximately 4,300 disabled individuals. Our sample was limited, however, because this regional center maintains income information files only for those recipients for whom the center manages financial affairs. Therefore, we were only able to sample the files of the 662 recipients whose accounts were managed by the regional center because the center does not maintain income information files on the remaining 3,638 recipients. In our sample of 77 SSI/SSP disabled recipients who were not receiving OASDI benefits, only 29 files contained the social security number of either parent. We submitted the 29 names and the available social security numbers of parents to the Social Security Administration to determine if the SSI/SSP recipients could be

eligible for OASDI benefits. The Social Security Administration reported that one disabled SSI/SSP recipient appears to be eligible for OASDI benefits based on the eligibility of the recipient's parents.

Because regional centers do not maintain adequate information on the parents of SSI/SSP recipients, there is no way of knowing how many of those recipients are eligible for but not receiving OASDI benefits.

Statewide Monitoring

The Department of Social Services does not currently have a statewide monitoring system, and it is not possible to say, at present, whether a statewide monitoring system to identify SSI/SSP recipients eligible for OASDI benefits would be economical. Monitoring of OASDI eligibility by state hospitals and regional centers is important because the patients and clients of these facilities are the least likely to be identified for OASDI benefits. An effective statewide monitoring system would ensure that the 300,000 SSI/SSP recipients are identified when they become eligible for OASDI benefits. It would also prevent unnecessary state expenditures for medical costs and SSP contributions that should be paid by the federal government.

The Social Security Administration has systems to identify SSI/SSP recipients eligible for OASDI, but we were unable to test the effectiveness of these systems because we did not have the authority to audit the Social Security Administration. The contract between the federal government and the State for the administration of the SSI/SSP program authorizes only the Department of Social Services or its designated representatives, the Department of Finance and the State Controller's Office, to audit the Social Security Administration.

In June 1982, the Department of Finance and the State Controller's Office began an audit of the SSI/SSP program. Approximately 10 to 12 auditors will perform the review, and as a part of the audit, the auditors could test the effectiveness of the Social Security Administration's systems to identify SSI/SSP recipients eligible for OASDI benefits. The results of this analysis would permit the Department of Social Services to assess the potential benefits of a statewide monitoring system.

CONCLUSION

There are several reasons why all SSI/SSP recipients eligible for OASDI benefits are not identified. The Social Security Administration may be unable to identify all recipients during the SSI/SSP and OASDI

application processes because of a lack of information. In addition, state agencies review only a small percentage of the SSI/SSP population for OASDI eligibility.

Monitoring procedures could be used to periodically review the files of SSI/SSP recipients and identify those who become eligible for OASDI benefits. However, the cost effectiveness of a statewide monitoring system is uncertain at this time.

RECOMMENDATION

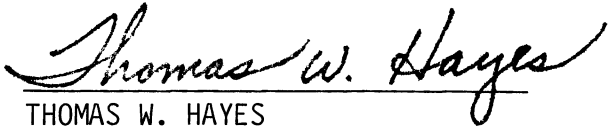
The Department of Social Services should ask the Social Security Administration to change the SSI/SSP application form to include the names and the social security numbers of the applicant's parents. This additional information would allow the Social Security Administration automatically to determine OASDI eligibility based on the social security records of the parents of SSI/SSP recipients.

The Department of Developmental Services should require all state hospitals to follow established guidelines for periodically reviewing SSI/SSP recipients for OASDI eligibility. The Department of

Developmental Services should also require regional centers to develop a monitoring system, similar to the state hospital system, that would identify SSI/SSP recipients eligible for OASDI benefits. This monitoring system would require regional center staffs to obtain the social security numbers of their clients' parents as well as other relevant OASDI eligibility information.

The State Department of Social Services should also ask the Department of Finance and the State Controller's Office to assess the effectiveness of the Social Security Administration's system for identifying SSI/SSP recipients who are eligible for OASDI benefits. Using this analysis, the Department of Social Services should determine the feasibility of a statewide monitoring system to identify SSI/SSP recipients eligible for OASDI.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: August 18, 1982

Staff: Steven L. Schutte, Audit Manager
Dore C. Tanner, CPA
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DEPARTMENT OF SOCIAL SERVICES

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August 2, 1982

Mr. Thomas W. Hayes
Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

We have reviewed your draft report entitled "State and Federal Procedures Can Be Improved to Ensure That SSI/SSP Recipients Receive Their Social Security Benefits," and have discussed it with your staff in an exit conference on July 9, 1982. We will fully explore the feasibility of the recommendations of the report that are within this Department's statutory authority, and will be working with the Social Security Administration (SSA) and our audit agency, the State Department of Finance, in this regard.

There are several items discussed which are potentially misleading. I would like to clarify these items to avoid any possible misunderstanding; and, in addition, I would like to provide you with information on the status of actions the Department is taking on your recommendations.

Statewide Monitoring

The section on statewide monitoring (p. 15) states that, "An effective statewide monitoring system would ensure that the 300,000 SSI/SSP recipients are identified when they become eligible for OASDI benefits." This statement is misleading because it implies that all 300,000 SSI/SSP recipients who are currently not receiving OASDI benefits would, at some time, become eligible, and that an effective system would ensure that these 300,000 recipients are identified. In fact, SSA's application and redetermination process and computer system does screen all SSI/SSP applicants and recipients to determine potential OASDI entitlement. As your report indicates in another section, relatively few SSI/SSP recipients eligible for OASDI may not be identified. It should be noted as well that SSA administers the SSI/SSP program for the state at no charge, resulting in a multimillion dollar savings to the state treasury.

We do not believe your report intends to give the impression that large numbers (300,000) of SSI/SSP recipients are not being identified as eligible for OASDI benefits, and we provide these comments for clarification only.

Audit Authority


Your staff was unable to test the effectiveness of SSA's systems to identify SSI/SSP recipients eligible for OASDI because they did not have the authority to audit the Social Security Administration. The report correctly states that the contract between the federal government and the state for the administration of the SSI/SSP program authorizes only the Department of Social Services and its representatives to audit SSA. We would like to point out that the Department has had the authority to perform the type of audit recommended by the report only since the new contract became effective on June 28, 1982. Prior to that time, we were prohibited by the previous State/Federal contract from auditing any of SSA's administrative or operational activities and practices.

Departmental Actions

- We are preparing a request that the Social Security Administration change not only the SSI/SSP application form, but also the periodic redetermination of eligibility forms to include the names and social security numbers of the applicant's parents.
- We are exploring with the Department of Finance and the State Controller's Office the feasibility of including an assessment of the effectiveness of SSA's system for identifying SSI/SSP recipients who are eligible for OASDI benefits in their current coordinated audit.

I appreciate the opportunity to comment on this draft report.

Sincerely,


MARION J. WOODS
Director

cc: Richard L. Cutting, Chief, Fiscal Management Audits, Department of Finance

DEPARTMENT OF DEVELOPMENTAL SERVICES

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August 3, 1982

Thomas W. Hayes, Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

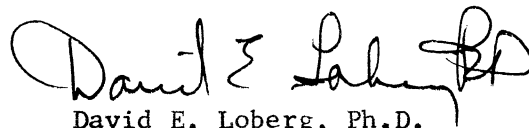
This letter is our response to the draft copy of your report entitled, "State and Federal Procedures Can Be Improved to Ensure That SSI/SSP Recipients Receive Their Social Security Benefits."

This Department does require state hospitals to follow established guidelines for periodically reviewing SSI/SSP recipients for OASDI eligibility on the basis of parents' age attainment. In addition, special inquiries are made whenever notice is received that a parent has died or become disabled. These requirements will be maintained and a formal reporting system is in effect to monitor compliance.

Your recommendation that regional centers accumulate the necessary statistical information on the parents of their clients and develop a review procedure similar to that used by state hospitals is now mandated by recently enacted statutes, Welfare and Institutions Code, Sections 4657 and 4658. This Department, of course, will meet its responsibilities under these regulations.

We appreciate the cooperation of your staff during this survey, and we continue to welcome your recommendations for program improvements.

Sincerely,


David E. Loberg, Ph.D.
Director

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps