

United States House of Representatives

Committee on Ways and Means

**Subcommittee on Social Security
Subcommittee on Oversight**



Statement for the Record

**Examining the Social Security Administration's
Representative Payee Program:
Who Provides Help**

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Good morning, Chairman Johnson, Chairman Buchanan, Ranking Member Larson, Ranking Member Lewis, and Members of both Subcommittees. Thank you for the invitation to testify today, as we continue to discuss the Social Security Administration's (SSA) representative payee program and examine how the agency selects and monitors payees. It is my pleasure to appear before you, and I appreciate your continued interest in this vital program.

Some of our most vulnerable citizens—including the young, aged, and disabled—depend on representative payees to receive and manage their Social Security benefits to cover their basic needs and expenses. SSA places its trust in payees to manage these payments on behalf of beneficiaries. The Office of the Inspector General (OIG) is committed to overseeing how SSA administers the representative payee program; it is critically important that SSA select trusted individuals and organizations to serve beneficiaries in need, and that SSA effectively monitor payee performance. My statement will focus on: 1) our investigations of representative payee fraud and misuse, and 2) our audit reviews and recommendations to SSA to improve payee selection and monitoring

Selecting, Monitoring Payees

SSA currently has about 6 million representative payees managing benefits for about 8 million beneficiaries. According to SSA, 54 percent of the beneficiaries with payees are minor children. Further, family members—primarily parents or spouses—serve 85 percent of the beneficiaries who have payees. About 34,000 organizational representative payees serve about 1.1 million beneficiaries. Generally, SSA will appoint an organizational payee to a beneficiary only when a family member is unable, unavailable, or unwilling to serve as payee.

SSA employees process payee applications in the agency's Electronic Representative Payee System (eRPS); during the application process, employees ask questions to assess the applicants' suitability. Information on the application includes the applicant's proof of identity, contact information, and relationship to the beneficiary. SSA employees are required to ask about the applicant's criminal history, request permission to run a background check, determine the applicant's income and capability, and determine if the applicant is receiving Social Security benefits. Finally, SSA employees ask for information to determine why the applicant would be an appropriate payee and how the applicant intends to meet the beneficiary's needs.

SSA maintains that the vast majority of payees are properly managing beneficiary funds, but with limited monitoring of payee performance, the threat of payee misuse and abuse remains. SSA mails annual accounting reports for payees to document how they utilized beneficiary funds, and the agency will contact the payee if the payee does not provide a timely response, but SSA conducts a very limited number of in-person site reviews each year. For instance, in Fiscal Year (FY) 2016, SSA conducted 2,590 face-to-face payee interviews.¹

A harrowing case of payee fraud and abuse in Philadelphia emphasized the critical need for SSA's strict oversight of payee selection and monitoring. In 2011, the Philadelphia Police Department rescued four

¹ SSA conducts several types of payee site reviews, including periodic reviews as required by the *Social Security Act*, targeted reviews conducted in response to an event that raises questions about payee performance, and special site reviews based on predictive modeling that identifies potential risk payees. SSA, *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews*, January 2017.

mentally disabled victims from the sub-basement of an apartment; the victims were held captive there for years. OIG contributed to the investigation with multiple agencies, including the FBI, the IRS, Philadelphia police and the Philadelphia District Attorney's Office, which determined that Linda Weston directed a decade-long racketeering enterprise in which she and several co-conspirators targeted mentally disabled victims and persuaded them to allow Weston to serve as their payee. Then, for years, Weston physically and psychologically abused the victims and stole their Social Security benefits and other government payments.

Weston's plot involved beating her victims, holding them captive in closets, basements, and attics, and depriving them of adequate food and care. Additionally, Weston moved the victims over the years between Philadelphia, Texas, Virginia, and Florida to evade law enforcement. Tragically, two of the victims died because of Weston's abuse. The FBI pursued the violent-offense elements of the case

Our role in the investigation involved gathering evidence, analyzing SSA documents, and interviewing various sources. From our review, we determined that Weston served as payee for six victims and made numerous misrepresentations and false statements to SSA during the payee application and monitoring process and on various payee accounting forms and other documents submitted to SSA. Weston concealed her criminal history from SSA, and she lied numerous times about her relationship to the victims, the victims' living conditions, and her use of their benefits. The scheme, abuse, and misuse became known only after Philadelphia police were alerted to the victims' whereabouts.

In September 2015, Weston pled guilty to multiple offenses, including racketeering conspiracy, kidnapping resulting in the death of the victim, government theft, and false statements. In November 2015, a judge sentenced her to life plus 80 years in prison and ordered her to pay restitution of \$273,000 to SSA. Judicial proceedings for her co-conspirators are ongoing.²

The case remains the most horrific, disturbing example of payee fraud and abuse we have encountered, but it emphasizes the vulnerability of the payee system and the beneficiaries it serves. SSA responded appropriately to the case with new, stricter rules and regulations related to reviewing a payee's background and criminal history before selecting the payee.

Efforts have been made to determine whether certain payees have high risks of misuse, to guide payee-monitoring procedures. In 2007, the National Academy of Science identified several characteristics of individual payees that might be indicators of misuse or poor performance. Some of the key characteristics include:

- The payee served between four and 14 beneficiaries.
- At least one beneficiary was not a relative of the payee.
- The payee had self-employment income.
- The payee had no employment wages.
- The payee was under age 50 and had limited annual earnings.

In 2009, we identified a population of individual payees who had at least three of the characteristics identified. We concluded SSA should use the characteristics to identify payees with an increased risk of

² U.S. Attorney's Office, Eastern District of Pennsylvania, November 2015.

benefit misuse, and the characteristics were reliable indicators of poor-performing payees. Specifically, 70 percent of the payees we reviewed engaged in one or more practices that increased the risk of misuse.³ At the time, we encouraged SSA to study these characteristics to improve payee monitoring, and SSA said it would consider the characteristics when developing possible changes in policies and procedures for payee selection and monitoring.⁴ In FY2012, SSA began using a predictive model to select organizational and individual payees for special site reviews, based on payee and beneficiary characteristics that indicate a higher likelihood of potential misuse. SSA conducted 1,017 special site reviews last year.

SSA is committed to conducting effective oversight of the representative payee program. Some program vulnerabilities exist, which SSA should address, but we acknowledge that SSA must also focus on its core workloads of processing retirement and disability claims, so the agency has to decide where and how it allocates its resources. The OIG is a partner in this oversight effort with SSA, through audits and investigations, as I have described. I would like to expand on how our investigations promote program integrity and how our audit reviews and recommendations help SSA improve its operations and oversight of the payee program.

Representative Payee Investigations

We receive and rely on allegations of representative payee fraud and misuse from various sources, including SSA, other law enforcement agencies, private citizens, private and public organizations, victims, Congress, and others.

In FY2016, we received 143,285 fraud allegations; 16,577 allegations (or about 12 percent) related to representative payee fraud. We carefully review every allegation we receive to determine appropriate action. We refer the majority of the payee fraud allegations we receive to SSA for administrative action, for several reasons, including local prosecutorial thresholds, the statute of limitations related to the allegation, and the existence of prior administrative action completed before referral to the OIG.

Last year, we opened 435 representative payee cases and closed 456 cases. Our investigative efforts in FY2016 led to 180 convictions related to payee fraud and about \$10 million in monetary accomplishments, including restitution, SSA recoveries, judgments, fines, and settlements. We make every effort to seek prosecution against individual and organizational payees who abuse the system, to deter others from misusing government funds and neglecting their responsibilities to serve beneficiaries in need.

The following are examples of **individual** payee fraud investigations:

- Based on an allegation to our Fraud Hotline, we investigated a Delaware woman for misusing Social Security benefits intended for her disabled sister. The woman had served as her sister's payee since December 2013, but when her sister received large sums of retroactive benefit payments from SSA, the woman began embezzling the funds from her sister. She used the money to buy two vehicles,

³ Payees would not confirm whether some beneficiaries were in their care, did not maintain adequate documentation to support expenditures for beneficiaries, did not provide basic needs for beneficiaries, for example.

⁴ SSA OIG, [*Characteristics of Representative Payees That May Increase the Risk of Benefit Misuse*](#), August 2009.

write a \$25,000 check to her business, and make a number of withdrawals that she deposited into her own back account, including one as large as \$51,000. Because of our investigation, the woman pled guilty to Social Security fraud, and in December 2016, a judge sentenced her to 12 months in prison and ordered her to repay \$145,000 to her sister.

- Based on information from the Tewksbury, Massachusetts Police Department and from the victim's current payee, we investigated a woman for misusing Social Security benefits intended for a disabled friend who was in full-time residential treatment at a Massachusetts hospital. The investigation found the woman became her friend's payee in 2012, but from 2012 to 2014, she used more than \$32,000 intended for her friend on herself; she used the money on a beach vacation, to make retail and restaurant purchases, and to withdraw more than \$17,000 in cash. In doing so, she failed to pay her friend's hospital bills, leaving him with more than \$20,000 in debt. Because of our investigation, the woman pled guilty to Social Security fraud, and in August 2015, a judge sentenced her to 24 months' probation, including six months' house arrest, and ordered her to repay \$32,000 to SSA.
- Based on an allegation from the U.S. Embassy in Mexico City, we investigated a Florida man for stealing Social Security benefits intended for his son. The investigation found the man served as his son's representative payee, and from 2008 to 2014, he concealed from SSA that his son was not in his care, as his son actually lived in Mexico during that time. Because of our investigation, the man pled guilty to government theft, and in March 2015, a judge sentenced him to 12 months in prison and ordered him to repay \$76,000 to SSA.
- Based on an allegation from the Fort Worth South, Texas SSA office, we investigated a Texas man who served as the payee for a disability beneficiary who lived in a group home. The investigation found that the man was a friend of the beneficiary, who did not have family members or other close friends to serve as his payee. SSA selected the Texas man as payee in 2012 despite his criminal record. The man received a \$64,000 retroactive payment intended for the beneficiary, but he did not use the funds to serve the beneficiary; he used some of the money to buy a truck and a motorcycle. Because of our investigation, the man pled guilty to government theft, and in June 2014, a judge sentenced him to 60 months in prison and ordered him to repay \$29,000 to SSA.

The following are examples of **organizational** payee fraud investigations:

- Based on allegations made to the Minneapolis SSA District Office, we investigated the operator of an organizational payee that served more than 300 beneficiaries. In 2014, clients of the service complained that they could not contact the organization for assistance, they could not obtain funds for personal needs, and their bills were not paid. We found evidence that the owner of the organization used the beneficiaries' funds to pay for personal and business expenses. Because of our investigation, the owner pled guilty to representative payee fraud. In November 2016, a judge sentenced him to 27 months in prison and ordered him to repay \$485,000 to SSA.
- A 2011 SSA financial review of an organizational payee that served about 100 beneficiaries in Alaska found that the owner used beneficiary funds to pay for personal expenses, such as his mortgage and vehicles, rather than hold the funds in a trust for the beneficiaries' needs. We investigated and found that once beneficiary funds were determined to be missing, the owner's family placed about \$100,000 in the trust to replace the missing funds. Based on our investigation,

the owner pled guilty to Social Security fraud, and in November 2016, a judge sentenced him to six months in prison. Additionally, the organization is no longer in operation, and SSA has found new payees for all of the organization's clients.

- A 2012 SSA financial review of an organizational payee that served as many as 350 beneficiaries in Milwaukee could not account for about \$194,000 in beneficiary funds. We investigated and determined the organization's owner used beneficiary funds to purchase other properties and pay for business expenses, such as office rent, salaries, and supplies. Because of the theft, many beneficiaries lived in poor conditions, and some were homeless. Because of our investigation, the owner pled guilty to representative payee fraud, and in August 2016, a judge sentenced her to six months in prison and ordered her to repay \$251,000 to SSA.

Representative Payee Audits

In addition to conducting investigations of representative payee fraud, we have reviewed SSA's actions concerning individual and organizational payee misuse, and payees' ability to monitor beneficiary needs.

Individual Payee Misuse

In 2012, we analyzed SSA data and identified 1,368 individual payees serving 14 or fewer beneficiaries misused about \$7.6 million owed to 1,561 beneficiaries, over a three-and-a-half-year period. We found SSA did not always take appropriate actions concerning individual payees who misused benefit payments. For example, SSA did not always obtain restitution from payees or pay beneficiaries when misuse resulted because of SSA's negligent failure to investigate or monitor a payee. We also found that SSA did not always document negligence decisions; refer misuse cases to the OIG; follow policy with regard to payees who committed misuse; or record misuse-related data accurately.

We encouraged the agency to take additional steps to improve its oversight and management of this population of individual payees who misused benefit payments. We recommended that the agency address issues related to specific payees and beneficiaries identified in the audit, and to remind staff to comply with policies and procedures related to obtaining restitution from payees and repaying affected beneficiaries. SSA agreed with our recommendations and reported that it took corrective actions for the payees and beneficiaries identified by our audit.⁵

Organizational and Large-Volume Payee Misuse

We identified 165 organizational and volume individual payees who misused about \$3.5 million owed to 3,671 beneficiaries, over a four-year period. We found that SSA generally complied with regulations and procedures when payees misused benefits. In some cases, the agency still did not reissue benefits misused by payees; obtain restitution from payees that misused benefits; document decisions to allow payees that misused benefits to continue serving as payees; and refer all payee misuse cases to the OIG. Similar to our 2012 review, we recommended that SSA address issues related to specific payees and beneficiaries identified in the audit, and to remind staff to comply with policies and procedures to

⁵ SSA OIG, [Individual Representative Payees Who Misuse Benefits](#), May 2012.

document decisions to retain payees that misuse benefits. SSA agreed with our recommendations and reported that it took corrective actions for the payees and beneficiaries identified by our audit.⁶

Fee-for-Service Payee Monitoring of Beneficiaries

In addition, in 2012, we reported that large-volume fee-for-service (FFS) payees did not always have the resources, procedures, and controls to fulfill their payee responsibilities.⁷ Some of the payees we reviewed did not have sufficient staff to routinely contact or visit their beneficiaries; they relied on outside caseworkers or beneficiary self-reporting to ensure beneficiaries' needs were met; they did not have correct contact information for beneficiaries; or they were unaware of certain basic beneficiary needs.

As payees of last resort, FFS payees often manage benefits for SSA's most vulnerable beneficiaries—many without family members or friends who are willing or able to monitor their well-being. Given the importance of this responsibility, we believe it is essential for SSA to strengthen oversight of FFS payees. We recommended SSA develop and provide clarifying guidance to FFS payees regarding the issues we identified in the report, and SSA agreed with our recommendations and reported that it took corrective actions to provide detailed instructions for its employees to provide to FFS payees.⁸

Payee System Vulnerabilities

Our audit work has also identified system vulnerabilities that affect SSA's ability to oversee the representative payee program.

Beneficiaries with Payees Serving as Payees for Others

We have identified instances in which SSA made payments to beneficiaries serving as representative payees who have a representative payee.⁹ We estimated, over a four-year period, SSA paid \$6.3 million to about 400 incapable beneficiaries who were serving as payees. This occurred because SSA employees incorrectly selected incapable beneficiaries as payees, and though SSA's system at the time generated alerts, the system did not prevent employees from improperly selecting the payees.

For example, SSA selected a representative payee for a beneficiary in 2013. The beneficiary had been serving as the payee for her disabled daughter since 1997. However, SSA did not take corrective actions to terminate the beneficiary as her daughter's payee when it determined she was incapable of managing her own benefits. As a result, SSA paid the incapable beneficiary about \$49,000 from 2013 to 2016 as the payee for her daughter. We recommended that SSA determine whether it should develop additional

⁶ SSA OIG, [Agency Actions Concerning Misuse of Benefits by Organizational and Volume Individual Representative Payees](#), February 2016.

⁷ SSA authorizes FFS organizational payees to collect a fee for providing services. According to SSA, in FY2016, there were about 1,400 FFS organizations. FFS organizations may collect a fee of up to 10 percent of the total monthly benefits from beneficiaries, up to a maximum of \$41 per month.

⁸ SSA OIG, [Representative Payees' Ability to Monitor the Individual Needs of a Large Volume of Beneficiaries](#), June 2012.

⁹ According to SSA policy, beneficiaries whom SSA has determined are incapable of managing their own benefits may not serve as a payee for other beneficiaries.

systems controls to prevent incapable beneficiaries from serving as payees. SSA agreed with the recommendation.¹⁰

Payments to Deceased Payees

We have also identified instances in which SSA made payments to deceased payees, because SSA's procedures did not ensure the agency selected new payees when the former payees died. We identified a population of beneficiaries with payees who had a date of death on SSA's Death Master File; we estimated that SSA paid about \$47 million to more than 2,500 deceased payees.¹¹ SSA knew about the death of the payees in most cases within one month, but it took the agency more than a year to replace the deceased payees in 60 percent of the cases that we identified. The funds for beneficiaries who have deceased payees may be at risk for misuse, and SSA cannot ensure the funds are being used for the beneficiary's needs.

In response to our audit, SSA said it was undertaking a multi-year effort to improve its death-reporting process, and upon completion, the agency's death information would interact with all SSA systems, including eRPS, to limit future payments to deceased payees. SSA also reported that it took corrective actions for the beneficiaries and payees identified by our audit.¹²

Payees without Recorded SSNs

SSA is required to obtain Social Security numbers (SSN) of representative payee applicants to ensure the applicant may serve as a payee. In certain situations in which the applicant does not have an SSN, SSA must verify the applicant's identity with other acceptable evidence and process a paper application. In a recent review, we found that SSA needed to improve controls to ensure it records individual payee SSNs in its payment records and retains the application for any payee who does not have an SSN.

We reviewed beneficiaries who had an individual payee who did not have his or her SSN recorded on SSA's payment records; we found, from 2006 to 2016, SSA paid about \$1 billion to payees who did not have an SSN recorded in the agency's systems, and SSA had not followed policy to retain the payees' paper applications. We also found, from 2004 to 2016, SSA paid about \$853 million to payees who SSA had either terminated or not selected in eRPS.

We recommended that SSA address issues specific to the beneficiaries we reviewed for the audit, and that SSA improve systems controls to ensure it records payees' SSNs in its payment systems and develop alerts when there is a discrepancy between payee information in SSA's payment systems and eRPS. SSA agreed with our recommendations and stated it was adding mechanisms to eRPS to limit discrepancies between SSA's systems.¹³

¹⁰ SSA OIG, [Beneficiaries Serving as Representative Payees Who Have a Representative Payee](#), August 2016.

¹¹ We calculated payments from the date of the payee's death through the earliest of the following: 1) the date SSA replaced the name of the payee in its payment systems; 2) the date the beneficiary stopped receiving benefits; or 3) March 2015.

¹² SSA OIG, [Deceased Representative Payees](#), June 2015.

¹³ SSA OIG, [Individual Representative Payees Who Do Not Have a Social Security Number in SSA's Payment Records](#), February 2017.

Payees Not in SSA's Payee System

SSA should also improve controls to ensure it does not make payments to payees who are not in eRPS. We identified a population of beneficiaries who had a payee, according to SSA's payment records; however, according to eRPS, there was no payee information for these beneficiaries. As of December 2015, SSA had paid the payees about \$218 million. We recommended that SSA address issues specific to the beneficiaries we reviewed for the audit, and that the agency remind employees to retain paper applications from any payee who does not have an SSN. SSA agreed with our recommendations.¹⁴

Payments to Terminated or Non-Selected Payees

Similarly, we identified a population of beneficiaries with an active payee in SSA's payment systems, but according to SSA's payee system, the payee was terminated or not selected. We estimated that the agency paid terminated or non-selected payees about \$367 million over a year-and-a-half period. This occurred because SSA did not remove terminated or non-selected payees from its payment records, or it did not correct payees' status in its payee system from terminated or non-selected to selected. We found, at the time, the agency's payee system did not always generate alerts when payee information was not consistent across SSA's systems.

We recommended that SSA address specific issues related to the beneficiaries and payees we reviewed for the audit, and that SSA improve controls to generate systems alerts when discrepancies exist with payee information across SSA's systems. The agency agreed with our recommendations and reported that it took corrective actions for the payees and beneficiaries identified by our audit.¹⁵

OIG Recommendations

In summary, to improve payee program oversight, we recommend SSA pursue the following actions:

- The agency should regularly remind employees to follow all policies and procedures when payee misuse occurs, to address beneficiary needs and limit payee misuse in the future. The agency should also continue to refer all allegations of payee fraud and misuse to the OIG for review.
- The agency should continue to expand payee-monitoring efforts and increase the number and frequency of payee site reviews, as resources allow.
- The agency should continue to develop alerts in ePRS that notify employees when discrepancies exist in SSA's systems, to improve payee program oversight and payment accuracy. Additionally, SSA should consider developing systems controls that prohibit employees from taking certain steps related to processing payee actions and payment, until systems issues or discrepancies are resolved.

¹⁴ SSA OIG, [Active Representative Payees Who Are Not in SSA's Electronic Representative Payee System](#), February 2017.

¹⁵ SSA OIG, [Payments to Terminated or Non-selected Representative Payees](#), February 2015.

SSA Actions

SSA, in its annual representative payee report to Congress and in its responses to our audit recommendations, has reported the following:

- SSA said it remains committed to deterring payee misconduct, through a strict payee-application process and payee monitoring efforts. When the agency identifies payee misuse, it refers misuse cases to the OIG for review and pursues administrative actions when necessary.
- SSA said it recently awarded a new payee site-review contract, and it is modernizing its site-review process to be more strategic in whom it reviews, what it reviews, and how it conducts reviews.
- SSA is developing various enhancements to eRPS, to compare information on SSA's payments records and in eRPS to ensure information is consistent, and to limit the discrepancies that can contribute to some of the program vulnerabilities that I have discussed. When the agency implements these systems enhancements, we plan to review eRPS effectiveness in addressing these issues.

Conclusion

SSA's representative payee program serves a vital purpose for about 8 million beneficiaries; this population includes some of our most vulnerable citizens. SSA has many service responsibilities, and it allocates its resources as it deems appropriate, but it must prioritize careful administration and monitoring of the payee program.

The OIG has made many recommendations to SSA over the years to ensure it is properly appointing and monitoring trusted payees and making proper payments; further, we are committed to promoting program integrity through payee fraud and misuse investigations. As we have recommended, SSA should continue to enhance its payee-monitoring capabilities, and it should develop and implement systems enhancements to improve program integrity. Finally, going forward, SSA should consider how to balance respect for beneficiaries' rights and decisions with appropriate service and oversight that addresses the needs of a vulnerable population.

We will continue to work with SSA and your Subcommittees to improve the representative payee program and ensure beneficiaries receive the assistance they need. Thank you for the invitation to testify, and I am happy to answer any questions.