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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**HAWAII DEPARTMENT OF HUMAN  
SERVICES – AN ORGANIZATIONAL  
REPRESENTATIVE PAYEE FOR THE  
SOCIAL SECURITY ADMINISTRATION**

**September 2008**

**A-09-08-28045**

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**AUDIT REPORT**

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**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

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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.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

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- Access to all information necessary for the reviews.
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We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** September 2, 2008

**Refer To:**

**To:** Peter D. Spencer  
Regional Commissioner  
San Francisco

**From:** Inspector General

**Subject:** Hawaii Department of Human Services – An Organizational Representative Payee for the Social Security Administration (A-09-08-28045)

### **OBJECTIVE**

Our objectives were to determine whether the Hawaii Department of Human Services (HI-DHS) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) used and accounted for Social Security benefits in accordance with Social Security Administration (SSA) policies and procedures.

### **BACKGROUND**

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' <sup>1</sup> payments.<sup>2</sup> A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when representative payments would serve the individuals' interests. Representative payees are responsible for managing benefits<sup>3</sup> in the beneficiary's best interest. Refer to Appendix B for additional representative payee responsibilities.

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<sup>1</sup> We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

<sup>2</sup> Social Security Act (Act) §§ 205(j) and 1631(a)(2), 42 U.S.C. §§ 405(j) and 1383(a)(2).

<sup>3</sup> We use the term "benefits" generically in this report to refer to both OASDI benefits and SSI payments.

HI-DHS is a social services agency for the State of Hawaii. HI-DHS' Social Services Division, Child Welfare Services Branch, administers the foster care program for Hawaii. HI-DHS provides adoption, foster care, and protective services to children and their families. From July 1, 2006 through June 30, 2007, we estimate that HI-DHS received about \$740,000 in OASDI and SSI benefits on behalf of 191 children who were in foster care.<sup>4</sup>

As a representative payee, HI-DHS uses three operational units to fulfill its responsibilities. These units include social workers, eligibility workers, and fiscal employees. The social workers maintain contact with the beneficiaries and foster homes and approve expenses necessary for the cost of care. The eligibility workers apply for sources of funding on behalf of the beneficiaries. Within the Accounting unit, the fiscal employees receive, record, and deposit the Social Security benefits.

## **RESULTS OF REVIEW**

Our audit disclosed that HI-DHS did not (1) have effective safeguards over the receipt and disbursement of Social Security benefits or (2) use and account for those benefits in accordance with SSA policies and procedures. We found that 39 (78 percent) of the 50 beneficiaries in our sample had 1 or more errors. These errors generally occurred because HI-DHS did not fully understand its representative payee responsibilities, and there was a lack of communication within HI-DHS and between HI-DHS and SSA. As a result, HI-DHS owed 36 beneficiaries \$114,680 in conserved funds and needs to repay SSA \$65,180 in overpayments for 8 beneficiaries. We also estimate that HI-DHS owes about \$323,400 in conserved funds to an additional 101 children and was overpaid about \$183,790 in benefits for an additional 22 children (see Appendix D). Specifically, HI-DHS

- did not promptly report changes in beneficiary circumstances to SSA,
- improperly accounted for the Social Security benefits of its beneficiaries, and
- did not obtain SSA approval to use retroactive benefits to reimburse itself for prior foster care expenses.

Although we found significant deficiencies in HI-DHS' representative payee activities, interviews with a sample of foster care parents and children disclosed these children's basic needs were generally met.<sup>5</sup> In addition, HI-DHS has taken corrective action on

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<sup>4</sup> We estimated the total OASDI and SSI benefits based on the amount paid to the 50 children in our sample.

<sup>5</sup> We selected 10 beneficiaries for interviews, which were conducted by individuals from SSA's field offices in Hawaii.

some of the errors identified during our review and initiated plans to improve its performance as a representative payee. However, SSA needs to ensure these deficiencies have been fully addressed and corrected.

## **REPORTING CHANGES IN BENEFICIARY CIRCUMSTANCES**

Our review disclosed that HI-DHS did not promptly report changes in beneficiary circumstances to SSA. Specifically, we found that HI-DHS did not timely notify SSA about (1) children who were no longer in its care, (2) children who moved into Hawaii Department of Health (HI-DOH) foster homes, and (3) children who received concurrent SSI and Title IV-E benefits.

SSA policy requires that representative payees report any changes to SSA that may affect the individual's entitlement or amount of payment. Representative payees must report any changes of custody and return any benefits to which the beneficiary is not entitled. Any conserved funds or unused benefits must be returned to SSA.<sup>6</sup> In addition, SSA's *Guide for Organizational Representative Payees* requires that payees report to SSA if a child beneficiary moves, dies, works, is incarcerated, begins to live with someone else, is adopted or marries.<sup>7</sup>

### **Children Who Were No Longer in HI-DHS' Care**

HI-DHS did not timely report to SSA nine children who were no longer in its care. We found that four of these children had been adopted and the remaining five were not in HI-DHS' care for various reasons, such as incarceration. Since SSA was unaware of these changes, it continued to make payments to HI-DHS on behalf of these children. As a result, HI-DHS received \$51,300 in improper payments, including \$30,470 in overpayments and \$20,830 in benefits that should have been returned to SSA.

HI-DHS had not established adequate controls to report changes in custody to SSA timely. HI-DHS relied on its social workers to notify both SSA and its Accounting unit when a child had left its care. However, HI-DHS did not ensure that changes in custody were reported timely.

For example, in October 2003, HI-DHS was selected as the representative payee for a child who received SSI. The child was incarcerated in June 2004 and remained confined until April 2007. HI-DHS' jurisdiction over this child was terminated in June 2006. However, SSA was not notified about these events and continued to make SSI payments to HI-DHS through April 2007. Although HI-DHS did not pay for any costs of the child's care after June 2004, the Accounting unit placed all the SSI payments in Hawaii's general fund to reimburse the State for its care. As a result,

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<sup>6</sup> SSA, Program Operations Manual System (POMS) GN 00502.113.D.1.

<sup>7</sup> Social Security, *Representative Payment Program, Guide for Organizational Representative Payees*, September 2005, pages 10, 22, and 26.

HI-DHS improperly received \$19,496 in SSI payments for 33 months after the child had been incarcerated. Finally, as a result of our audit, SSA obtained the dates the child was incarcerated so it could establish and recover the overpayment.

### **Children Who Moved into HI-DOH Foster Homes**

HI-DHS did not report to SSA that four children had moved into HI-DOH foster homes. These children were placed in therapeutic foster homes and residential settings that provided specialized services through HI-DOH. Although HI-DHS still had legal custody of these children, it did not pay for the cost of the children's care during their time in the foster homes. SSA continued to disburse OASDI and SSI payments to HI-DHS because it was not aware of these changes. The Accounting unit was also unaware of these changes and improperly placed most of the benefits in Hawaii's general fund to reimburse itself for the cost of the children's care. As a result, HI-DHS received \$29,790 in SSI overpayments and \$12,600 in OASDI and SSI payments that should have been saved or used for the children's other needs.

Two of the four children were receiving OASDI benefits. HI-DHS should have saved or spent these benefits for the children's other needs. The remaining two children received SSI payments that should have been saved or spent on their behalf. Had most of these benefits been saved, the children would have exceeded the \$2,000 SSI resource limit in about 5 months after they entered the HI-DOH foster homes. Since the Accounting unit was unaware that HI-DHS had not paid for the cost of care for these four children, it improperly placed \$42,390 into Hawaii's general fund rather than saving or spending the benefits on the children's behalf.

### **Children Who Received Concurrent SSI and Title IV-E Benefits**

HI-DHS did not report to SSA that it received Title IV-E benefits for two SSI recipients. Although HI-DHS generally does not obtain Title IV-E benefits for children who receive SSI payments, it needs to ensure these events are reported to SSA timely. As a result, two SSI recipients were overpaid \$4,920 from July 2006 to June 2007.

SSA policy states that, if the source of payments for the care is federally funded income based on need (for example, foster care under Title IV-E), the total payment is considered cash income to the individual, and the SSI payment is reduced dollar for dollar.<sup>8</sup>

## **IMPROPER ACCOUNTING FOR BENEFITS**

Our review disclosed that HI-DHS did not properly account for the Social Security benefits of its beneficiaries. Specifically, we found that HI-DHS (1) improperly used OASDI benefits of children who also received Title IV-E benefits, (2) did not conserve

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<sup>8</sup> SSA, POMS SI 00835.706.C.5.

or return funds to SSA, (3) had not accurately recorded expenditures, (4) did not timely record benefit payments, (5) had not established a dedicated account for SSI recipients, and (6) did not establish direct deposit for all beneficiaries.

### **Use of OASDI Benefits for Children Who Received Title IV-E Benefits**

HI-DHS did not properly account for the OASDI benefits received for 13 children who also received Title IV-E benefits. Contrary to Federal regulations, HI-DHS used OASDI benefits to partially reimburse itself for the foster care payments it disbursed to the children's providers. HI-DHS was unaware that it could not reimburse itself for the State's share of Title IV-E costs from a child's OASDI benefits. As a result, 13 children did not receive \$43,050 in OASDI benefits to which they were entitled.

The Foster Care and Adoption Assistance Program, authorized under Title IV-E of the *Social Security Act*,<sup>9</sup> helps States provide care for children who need placement in a foster family home or institution. The program provides Federal matching funds to States that administer the program. Title IV-E benefits are administered by the Department of Health and Human Services, Administration for Children and Families.

Federal regulations prohibit HI-DHS from using a child's OASDI benefits to reimburse itself for the State's share of Title IV-E costs.<sup>10</sup> To receive Federal Title IV-E benefits, HI-DHS must pay its share of the foster care costs with State funds. Therefore, the OASDI benefits for a child who also receives Title IV-E benefits must be saved or used for a child's other needs.

For example, HI-DHS received Title IV-E benefits for a child who received \$492 in monthly OASDI benefits. The Accounting unit placed all the OASDI benefits in Hawaii's general fund to reimburse the State for the \$529 of monthly foster care payments it made to provide care for the child. Therefore, none of the \$5,332 in OASDI benefits was saved or used for the child's other needs from July 2006 to June 2007. As a result of our audit, HI-DHS plans to revise its procedures to require that the Accounting unit properly account for OASDI benefits for children who also receive Title IV-E benefits.

### **Funds Not Conserved or Returned to SSA**

HI-DHS did not return \$19,710 in conserved funds to SSA for five children who were no longer in its care. In addition, HI-DHS did not return \$3,500 in erroneous SSI payments to SSA for three children and conserve \$7,270 in excess funds for four children. As a result, HI-DHS improperly held \$23,210 in funds for eight children and did not conserve \$7,270 for four children.

SSA policy requires that representative payees who are no longer serving as payee for an individual return any funds to SSA for reissuance to either the successor payee

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<sup>9</sup> Social Security Act § 470 et seq., 42 U.S.C. § 670 et seq.

<sup>10</sup> 45 C.F.R. § 92.24.

or the beneficiary in direct payment.<sup>11</sup> Any benefits a former representative payee receives must be returned to SSA. SSA policy also requires that representative payees use OASDI and SSI payments for the immediate or reasonably foreseeable needs of the beneficiary. Any remaining benefits must be conserved or invested for the beneficiary.<sup>12</sup> In addition, SSA policy states that SSI dedicated funds can only be used for a child's medical treatment, education or job skills training, expenses related to his personal needs assistance, special equipment, housing modification, therapy or rehabilitation, or other items or services approved by SSA.<sup>13</sup>

HI-DHS had not established adequate controls to ensure conserved funds or benefit payments received after a child is no longer in its care are returned to SSA. HI-DHS relied on its social workers to notify its Accounting unit when funds should be returned to SSA. However, HI-DHS did not always adjust its accounting ledgers for unreported changes in custody. Therefore, HI-DHS often did not return any funds or the correct amount to SSA because the accounting ledgers were not accurate.

For 5 children, HI-DHS did not return conserved funds to SSA for beneficiaries who were no longer in its care. For three children, HI-DHS did not return erroneous SSI payments to SSA. For three children, HI-DHS received benefits in excess of the foster care payments but did not instruct the Accounting unit to conserve any benefits. For one child, HI-DHS improperly used SSI dedicated account funds that should have been conserved for the beneficiary.

For example, in August 2007, a social worker submitted a request to the Accounting unit to return \$2,900 in OASDI funds to SSA for a child who was adopted in February 2006. However, the Accounting unit was unaware the child had been adopted and continued to account for the benefits and expenses as if the child was still in HI-DHS' custody. Since the Accounting unit did not correct the accounting records after it learned of the adoption, HI-DHS only returned \$2,900 of the \$8,720 owed the child. The remaining \$5,820 in conserved funds was not returned.

### **Expenditures Not Recorded Accurately**

HI-DHS did not accurately record expenditures for seven children. We found that HI-DHS recorded monthly expenditures of \$13,670 when the correct amount should have been \$5,950. These errors primarily occurred because the social workers did not notify the Accounting unit of changes in the amount of monthly expenses for its beneficiaries. As a result, HI-DHS overstated the monthly foster care expenses by \$7,720 and did not conserve these funds for its beneficiaries.

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<sup>11</sup> SSA, POMS GN 00603.055.

<sup>12</sup> SSA, POMS GN 00603.001.A.

<sup>13</sup> SSA, POMS GN 00602.140.

SSA policy requires that representative payees use OASDI and SSI payments for the immediate or reasonably foreseeable needs of the beneficiary. Any remaining benefits must be conserved or invested for the beneficiary.<sup>14</sup>

### **Benefit Payments Not Recorded Timely**

HI-DHS did not record benefit deposits timely for 40 beneficiaries. HI-DHS received the OASDI or SSI payments by direct deposit but did not obtain bank deposit information from its Department of Budget and Finance for about 45 days after the month in which the deposit was made. Therefore, the Accounting unit recorded deposits to the accounting ledgers about 2 or 3 months after the benefits were deposited. As a result, HI-DHS was unable to adequately monitor the amount of resources for SSI recipients or timely determine the amount of benefits available for each child.

SSA's *Guide for Organizational Representative Payees* requires that such payees establish some form of a payee accounting system that will track for each beneficiary the amount of benefits received, expended, and saved. The *Guide* also requires that the payee post all income and expenses in a timely manner.<sup>15</sup>

HI-DHS stated it has initiated corrective action to post benefit deposits timely. During our review, the Department of Budget and Finance agreed to provide the Accounting unit with deposit information each week.

### **Dedicated Account Not Established for SSI Recipients**

HI-DHS had not established a dedicated account for large past-due payments for SSI recipients. This occurred, in part, because of misinformation about the options available for establishing these accounts as well as complexities in Hawaii's accounting and banking procedures. Because of the lack of a dedicated account, SSA did not disburse \$29,700 in past-due SSI payments to four disabled foster care children.

The *Act* requires that representative payees establish and maintain an account in a financial institution for certain large past-due payments for SSI recipients under age 18. These dedicated accounts must be maintained separately from other savings or checking accounts for the beneficiary. A representative payee may use an approved collective account for more than one beneficiary's dedicated account funds. Except for certain past-due payments that may be received later, no additional funds can be deposited in the separate account.<sup>16</sup> In addition, the *Act* restricts how dedicated

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<sup>14</sup> SSA, POMS GN 00603.001.A.

<sup>15</sup> Social Security, *Representative Payment Program, Guide for Organizational Representative Payees*, September 2005, page 33.

<sup>16</sup> SSA, POMS GN 00603.025.B.

account funds may be used. A representative payee is allowed to use the funds for the child's medical treatment and education or job skills training. Other expenses may be allowed if they benefit the child or are related to the child's impairment.<sup>17</sup>

HI-DHS was unaware it could open a collective account for the dedicated funds. Instead, HI-DHS believed that a separate bank account for each child was required. HI-DHS had explored various options to establish dedicated accounts but encountered problems because of the State's accounting and banking procedures. However, during our review, HI-DHS stated it could obtain a collective account, in its State accounting system, for dedicated funds.

During an interview with the foster parent of a child who was owed \$4,672 in dedicated funds, we were informed the child had needs that could have been met with these funds.<sup>18</sup> The foster parent indicated the child needed a new pair of special shoes with braces, which cost about \$600. Unless a dedicated account is established, SSI recipients may not receive large past-due payments to which they are entitled.

### **Direct Deposit Not Established for All Beneficiaries**

We found that 35 (29 percent) of the 120<sup>19</sup> beneficiaries in current pay status received their benefits by paper checks rather than direct deposit. After SSA reviewed HI-DHS' representative payee activities in 2006, HI-DHS converted most of its beneficiaries to direct deposit. However, many of the children who entered HI-DHS' custody after that time still received paper checks.

SSA's *Guide for Organizational Representative Payees* encourages that such payees have funds directly deposited to an interest-bearing account.<sup>20</sup> Direct deposit is a more secure way of receiving payments and protects beneficiaries from the loss, theft, or delays associated with mailing paper checks. In addition, direct deposit saves the time and effort of processing benefit checks.

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<sup>17</sup> SSA, POMS GN 00602.140.B.3.

<sup>18</sup> We selected 10 beneficiaries for interviews, which were conducted by individuals from SSA's field offices in Hawaii.

<sup>19</sup> As of July 2007.

<sup>20</sup> Social Security, *Representative Payment Program, Guide for Organizational Representative Payees*, September 2005, page 19.

## **USE OF RETROACTIVE BENEFITS TO OFFSET PRIOR FOSTER CARE EXPENSES**

HI-DHS did not obtain SSA approval to reimburse itself for prior foster care expenses from the retroactive benefit payments of two children. For some children, the first check received by a representative payee is for past-due benefits. For two children in our sample, HI-DHS received \$14,000 in past-due benefits. HI-DHS stated that most of its employees were not aware of the requirement to obtain SSA approval before reimbursing itself for prior foster care expenses from a child's retroactive benefit payment.

Generally, a representative payee may satisfy beneficiaries' past debts if their current and reasonably foreseeable needs are met. However, a creditor payee must obtain SSA approval before it uses benefits to reimburse itself. For foster care agencies that request payment of past charges for care and maintenance, SSA must obtain a bill or statement of the amount owed. The statement should designate the months for which care was provided and the monthly customary care charges.<sup>21</sup>

## **CONCLUSIONS AND RECOMMENDATIONS**

HI-DHS had significant internal control weaknesses that prevented it from meeting its responsibilities as a representative payee. In addition, SSA previously identified and reported many of these same weaknesses during prior reviews. We found that 39 (78 percent) of the 50 beneficiaries in our sample had 1 or more errors. These errors generally occurred because HI-DHS did not fully understand its representative payee responsibilities, and there was a lack of communication within HI-DHS and between HI-DHS and SSA. As a result, HI-DHS owed 36 beneficiaries \$114,680 in conserved funds and needs to repay SSA \$65,180 in overpayments for 8 beneficiaries. We also estimate that HI-DHS owes about \$323,400 in conserved funds to an additional 101 children and was overpaid about \$183,790 in benefits for an additional 22 children (see Appendix D).

HI-DHS had taken corrective action on some of the errors identified during our review and initiated plans to improve its performance as a representative payee. However, HI-DHS should provide SSA with a corrective action plan to ensure these deficiencies are fully addressed. Given the pervasiveness of the conditions identified, we believe SSA and HI-DHS should thoroughly review the receipt and disbursement of Social Security benefits for all beneficiaries in HI-DHS' care. We recommend that SSA ensure HI-DHS:

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<sup>21</sup> SSA, POMS GN 00602.030.

1. Returns or conserves \$98,610 in benefits for 15 children because HI-DHS did not report changes in beneficiary circumstances affecting their entitlement to benefits. This consists of
  - \$51,300 in improper payments disbursed to HI-DHS for nine children who are no longer in its care.
  - \$29,790 in SSI overpayments to SSA for two children who had moved into HI-DOH foster homes.
  - \$12,600 in OASDI and SSI benefits that should have been saved for four children who had moved into HI-DOH foster homes.
  - \$4,920 in overpaid benefits for two SSI recipients who also received Title IV-E benefits.
2. Improves its controls over reporting changes in beneficiary circumstances that affect their eligibility for benefits (for example, changes in custody and Title IV-E benefits payable to SSI recipients).
3. Returns or conserves \$81,250 in funds for 32 children because HI-DHS did not properly account for benefit payments received. This consists of
  - \$43,050 in unrecorded OASDI funds for 13 children who also received Title IV-E benefits.
  - \$19,710 in funds for five children who are no longer in its care, \$3,500 in SSI payments not returned to SSA for three children, and \$7,270 in excess funds not conserved for four children.
  - \$7,720 in monthly benefits in excess of the monthly foster care payments for seven children.
4. Improves its controls to ensure the proper accounting for OASDI and SSI benefits. Specifically, HI-DHS needs to ensure it
  - saves or spends OASDI benefits on behalf of children who also receive Title IV-E benefits.
  - returns conserved funds that belong to beneficiaries no longer in its care and benefit payments received after HI-DHS no longer has legal custody of children to SSA.
  - accurately records the expenses of each child.
  - records benefit deposits in a timely manner.
  - establishes a dedicated account for large past-due payments for SSI recipients.
  - establishes direct deposit for all beneficiaries in its care.

5. Develops procedures to obtain SSA's approval to reimburse itself for prior foster care expenses from a child's retroactive benefit payment. In addition, HI-DHS should provide supporting documentation to SSA for how it used the \$14,000 in past-due benefits for two children.
6. Reviews and takes corrective actions for all beneficiaries in its care to identify payment errors because HI-DHS (1) did not report changes in beneficiary circumstances affecting their entitlement to benefits or (2) improperly accounted for benefit payments received.

## **AGENCY COMMENTS**

SSA and HI-DHS agreed with all of our recommendations. See Appendices E and F for the text of SSA's and HI-DHS' comments.

## **OTHER MATTERS**

While conducting our review, we identified three areas where SSA needs to improve its performance. Specifically, SSA (1) did not terminate benefit payments timely after HI-DHS reported that four children were no longer in its care, (2) paid incorrect SSI amounts to three SSI recipients, and (3) improperly sent dedicated account funds to HI-DHS for one SSI recipient.

### **Terminating Benefit Payments**

SSA did not terminate benefit payments timely after HI-DHS reported that four children were no longer in its care. On four occasions, HI-DHS reported to SSA that three siblings had been appointed a guardian in October 2004. However, SSA continued to disburse OASDI benefits to HI-DHS for another 28 months. As a result, SSA improperly sent \$18,027 in benefits to HI-DHS that should have been paid to the children's new legal guardian. HI-DHS also reported to SSA that a child was adopted in February 2006, but SSA continued to disburse benefits through January 2007. As a result, SSA improperly sent \$7,602 in benefits to HI-DHS for 11 months.

### **Incorrect SSI Payments**

SSA paid the incorrect amount of SSI payments for three recipients. SSA counted the foster care payments HI-DHS made to the foster parents as income to the children, resulting in a \$207 monthly decrease in their SSI payments during 2007. The source of funding for the foster care payments was the SSI payments and State foster care funds. Therefore, the children paid their food and shelter costs using their own income, not income from a third party. In general, SSI payments of children in traditional foster care are not reduced if they pay for their food and shelter with their own income.<sup>22</sup> As a result, these children were underpaid approximately \$2,480 in benefits annually.

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<sup>22</sup> SSA, POMS SI 00835.790.A.

**Dedicated Account Funds**

SSA improperly sent dedicated account funds to HI-DHS for one SSI recipient. Although HI-DHS had not established a dedicated account to receive large past-due payments for SSI recipients, SSA disbursed \$4,557 in dedicated funds to HI-DHS for one recipient.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

# **Appendices**

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**APPENDIX A** – Acronyms

**APPENDIX B** – Representative Payee Responsibilities

**APPENDIX C** – Scope and Methodology

**APPENDIX D** – Sampling Methodology and Results

**APPENDIX E** – Agency Comments

**APPENDIX F** – Hawaii Department of Human Services Comments

**APPENDIX G** – OIG Contacts and Staff Acknowledgments

## ***Appendix A***

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### **Acronyms**

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Regulations
HI-DHS	Hawaii Department of Human Services
HI-DOH	Hawaii Department of Health
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income

# **Representative Payee Responsibilities**

Representative payees are responsible for using benefits to serve the beneficiary's best interests. The responsibilities include the following.<sup>1</sup>

- Determine the beneficiary's current needs for day-to-day living and use his or her payments to meet those needs.
- Conserve and invest benefits not needed to meet the beneficiary's current needs.
- Maintain accounting records of how the benefits are received and used.
- Report events to the Social Security Administration (SSA) that may affect the individual's entitlement or benefit payment amount.
- Report any changes in circumstances that would affect their performance as a representative payee.
- Provide SSA an annual Representative Payee Report to account for benefits spent and invested.
- Return any payments to SSA for which the beneficiary is not entitled.
- Return conserved funds to SSA when no longer serving as the representative payee for the beneficiary.

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<sup>1</sup> SSA, Program Operations Manual System GN 00502.113.

### **Scope and Methodology**

Our audit covered the period July 1, 2006 through June 30, 2007. However, we expanded our scope to include additional months before and after this period to fully develop the effect of some issues, such as changes in custody that were not reported timely. To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations and Social Security Administration (SSA) policies and procedures for representative payees.
- Reviewed the Hawaii Department of Human Services' (HI-DHS) procedures over its representative payee activities.
- Interviewed SSA employees at the San Francisco Regional Office and Honolulu Field Office to obtain background information about the performance of HI-DHS.
- Interviewed employees from the Department of Health and Human Services, Administration for Children and Families.
- Obtained from SSA's payment records and Representative Payee System a list of individuals who were in the representative payee's care.
- Compared and reconciled SSA's payment records to the Representative Payee System list to identify the population of beneficiaries who received one or more benefit payments from July 1, 2006 through June 30, 2007.
- Reviewed the representative payee's internal controls over the receipt and disbursement of Social Security benefits.
- Reviewed the receipt and expenditure of Social Security benefits for 50 beneficiaries from July 1, 2006 through June 30, 2007.
- Determined whether HI-DHS reported any changes or events for its beneficiaries that could affect their amount of or entitlement to OASDI or SSI benefits.
- Performed the following tests for a random sample of 50 beneficiaries:
  - Compared and reconciled benefit amounts received according to HI-DHS' records to benefit amounts paid according to SSA's records.
  - Reviewed HI-DHS' accounting records to determine whether benefits were properly spent or conserved on the beneficiary's behalf.

- Reviewed case records to determine whether the children were still in HI-DHS' care from July 1, 2006 through June 30, 2007.
- Interviewed 10 beneficiaries to determine whether their basic needs were being met.<sup>1</sup>

We determined the computer-processed data to be partially reliable for our intended use. We tested the receipt of Social Security benefits recorded in HI-DHS' accounting system. We performed tests to determine the completeness, accuracy, and validity of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives. However, because of weaknesses in HI-DHS' controls over the disbursement of Social Security benefits, we could not rely on the information in its accounting records.

We performed our field work in Honolulu, Hawaii, and Richmond, California, between August 2007 and April 2008. 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 believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> We selected 10 beneficiaries for interviews, which were conducted by individuals from SSA's field offices in Hawaii.

## **Appendix D**

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### **Sampling Methodology and Results**

We obtained from the Social Security Administration's (SSA) payment records and Representative Payee System a list of individuals who were in the representative payee's care during the period of July 2006 through June 2007. Using these data, we identified a population of 191 beneficiaries for whom the Hawaii Department of Human Services (HI-DHS) received at least 1 benefit payment during this period.

We selected a random sample of 50 beneficiaries for review. For each beneficiary, we (1) determined whether HI-DHS reported any changes or events for its beneficiaries that could affect their amount of, or entitlement to, Old-Age, Survivors and Disability Insurance or Supplemental Security Income payments; (2) compared and reconciled benefit amounts received per HI-DHS' records and benefit amounts paid per SSA's records; (3) reviewed HI-DHS' accounting records to determine whether benefits were properly spent or conserved on the beneficiary's behalf, and (4) reviewed HI-DHS records to determine whether the beneficiaries were still in HI-DHS' care from July 2006 to June 2007.

We found that 39 (78 percent) of the 50 beneficiaries in our sample had 1 or more errors. As a result, HI-DHS owed 36 beneficiaries \$114,680 in conserved funds and needs to repay SSA \$65,180 in overpayments for 8 beneficiaries. Based on our sample findings, we also estimate that HI-DHS owes about \$323,400 in conserved funds to an additional 101 children and was overpaid about \$183,790 in benefits for an additional 22 children. The following tables provide the details of our sample results and estimates.

<b>Table 1: Population and Sample Size</b>	<b>Population</b>	<b>Sample Size</b>
Beneficiaries	191	50

<b>Table 2: Conserved Funds</b>	<b>Number</b>	<b>Amount</b>
Sample Results	36	\$114,682
Estimate of additional beneficiaries affected	101	\$323,403
Estimate of total beneficiaries affected	137	\$438,085

<b>Table 3: Overpayments</b>	<b>Number</b>	<b>Amount</b>
Sample Results	8	\$65,175
Estimate of additional beneficiaries affected	22	\$183,793
Estimate of total beneficiaries affected	30	\$248,968

# **Agency Comments**

Wednesday, August 20, 2008  
SF Reply -- Signed Draft Report (A-09-08-28045)

Jim,

Thank you for the opportunity to comment on the OIG draft report, "Hawaii Department of Human Services - An Organizational Representative Payee for the Social Security Administration" Number A-09-08-28045.

We found the draft report to be very thorough. HI-DHS has already taken corrective action on some of the errors identified during the review and initiated plans to improve its performance as a representative payee. SSA has a corrective action plan to ensure these deficiencies are fully addressed. Given the pervasiveness of the conditions identified, we agree to closely monitor the relationship between SSA and HI-DHS and thoroughly review the receipt and disbursement of Social Security benefits for all beneficiaries in HI-DHS' care as well as to ensure full compliance with the cited recommendations. These activities will be completed within 90 days of the issuance of the final report.

The field office has provided and will continue to provide the training needed, ongoing communications and support needed for the payee's compliance with SSA policies. If your staff have any questions regarding these comments, they should contact DeAnna Barrios-Terry (510) 970-8213 in our Center for Programs Support. We have attached a copy of the draft report for reference purposes.

Pete

## **Appendix F**

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### **Hawaii Department of Human Services Comments**

LINDA LINGLE  
GOVERNOR



LILLIAN B. KOLLER, ESQ.  
DIRECTOR

HENRY OLIVA  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
Social Services Division  
Child Welfare Services Branch  
810 Richards Street, Suite 400  
Honolulu, Hawaii 96813

August 14, 2008

Mr. Patrick P. O'Carroll, Jr.  
Inspector General  
Social Security Administration  
Baltimore, Maryland 21235-0001

Dear Mr. O'Carroll:

The Director of the Department of Human Services (DHS) received the Audit Report dated July 16, 2008, Hawaii Department of Human Services – An Organizational Representative Payee For The Social Security Administration. The report was forwarded to the Child Welfare Services (CWS) Branch, Program Development (PD) office, for review and follow-up.

To improve communication and procedures among agencies and internal DHS offices, CWS has been working collaboratively with the local Social Security Administration (SSA) in Hawaii. PD met with local SSA representatives on June 27, 2008 and plan to meet again on August 28, 2008.

The CWS statewide supervisors and section administrators also met on July 29, 2008 and the Audit Report and SSA was an agenda item for the meeting. At this meeting, the local SSA representatives along with PD provided information, instructions, and various handouts to the supervisors and section administrators on the responsibilities as payees of SSA benefits. The supervisors were instructed to forward the information to their staff.

We will respond directly to the recommendations in the report by the corresponding number in the Audit Report. The DHS' Fiscal Management Office (FMO) and PD currently are establishing trust funds and returning funds to SSA. This should be completed by August 31, 2008. Please refer to the attached "Case Identification and Status," which lists the status of the funds for these children.

The Audit Report findings reflect conservative amounts owed to the child or to SSA. We plan to make these accounts current to date, therefore, in many cases the actual amount will be greater than listed.

AN EQUAL OPPORTUNITY AGENCY

1. We agree that DHS did not report changes in beneficiary circumstances affecting their entitlement to benefits. DHS agrees to conserve or return benefits for the identified 15 children below:

- Improper payments for nine children who no longer were in DHS care due to adoption, legal guardianship, reunified with their parents, or reached the age of majority.
- Return of monies to SSA for SSI overpayments for two children who were placed in Department of Health (DOH) therapeutic foster homes.
- Four children in which their OASDI and SSI benefits should be conserved as they were placed in DOH therapeutic foster homes.

For the one child in case number 24 who received SSI benefits and for which DHS was claiming Title IVE reimbursements, we are waiting for clarification from SSA regarding its policy on claiming Title IVE for Difficulty of Care (DOC) payments. Hawaii does not interpret paying a foster parent for a higher level of care (DOC payments) to children with special needs as 'income for the child.' DHS' practice has been to claim Title IVE reimbursement for DOC payments only for children receiving SSI benefits. Upon receiving further clarification from SSA, Hawaii will continue or amend its practice accordingly.

2. We agree that DHS needs to improve its controls over reporting changes in beneficiary circumstances to SSA and FMO. To this end, CWS will be sending monthly reports to FMO, the CWS units, and to SSA, when changes occur. We amended the child's data screen on the CWS' Child Protective Services System database to include fields for staff to complete when a child is receiving SSI and OASDI benefits. The fields are currently in the testing region and should be implemented by November 2008. We plan to generate reports linking these fields to other factors. These reports will include:

- Children who are under the placement responsibility of DHS and no foster board payments are being issued (i.e., runaway, therapeutic foster home placement, placed in a residential facility, incarceration, etc.). These reports will be sent to FMO to authorize the establishment of a trust fund for the child and to stop reimbursing the state for foster board and DOC payments. Reports will also be sent to SSA for notification of the child's circumstance and to the CWS unit for placement in the child's case record.
- Children who are no longer under DHS placement responsibility (i.e., returned to parents, adopted, reached the age of majority, etc.). These reports will be sent to FMO for notification to stop accepting SSI/OASDI payments and to return any benefit payments from the month of exit from foster care to SSA. Reports will also be sent to SSA for notification that the child left foster care and to the CWS unit for placement in the child's record.

- Children for whom DHS is claiming Title IVE for foster board payments. These reports will be sent to FMO to authorize the establishment of a trust fund and to stop reimbursing the state for foster board and DOC payments. Reports will also be sent to SSA and to the CWS unit for placement in the child's record.
- Children with a change of address. We hope to generate these reports and if successful in doing so, the reports will be sent to SSA and to the CWS unit for placement in the child's record. If these reports cannot be generated, we will rely on the staff to send the information via the SSA Form.
- We will continue to research and implement other types of reports that will help us to fulfill our responsibilities as payee.

Because these reports are based on children who are identified in CPSS as SSI and OASDI beneficiaries, we must rely on the staff to input these fields. To avoid errors, we will continue existing procedures for workers to process forms to FMO and SSA. Attached is a form created by the local SSA office and distributed to staff on July 29, 2008. An updated "Procedural Quick Glance Chart," which is attached was also distributed to staff on the same day.

In addition, because of staff turnover and the fact that all correspondence from SSA is sent to FMO, upon a report of a new foster child recipient, FMO will attach the SSA Form, instructions for retroactive payments, and the Quick Glance Chart to send to the CWS worker. We will make every effort to report timely changes and to remind staff of SSA procedures in ongoing trainings and also be included in our new hire core training classes.

3. We agree that DHS needs to return or conserve funds because we did not properly account for benefit payments received for OASDI children who also received Title IVE benefits, for children no longer in care, and for benefits in excess of foster board payments. See attached chart for case identification.
4. We agree that DHS needs to ensure proper accounting of benefits as listed in number 3 above. In addition:

DHS has already established the process to account for benefits in a timely manner. This occurred because the Department of Budget and Finance agreed to send FMO a weekly list of wire transfers into First Hawaiian Bank. This has allowed FMO to update the benefit deposits for each foster child on a more frequent basis. Prior to this, FMO received only monthly bank statements that were already two or more months behind.

To establish dedicated accounts for large past-due payments, the SSA has agreed to deposit funds requiring a dedicated account into the same bank account used for direct deposits. FMO will use a unique project code for each child that requires a dedicated account separate from a child's ongoing account. The dedicated account

Office Of The Inspector General  
August 14, 2008  
Page 4 of 4

will only be used for a child's medical treatment, education, job skills training or expenses allowed if they benefit or are related to the child's impairment.

To establish direct deposits for all beneficiaries in our care, we re-issued procedures on the Quick Glance Chart to staff on July 29, 2008. The account number, routing number, and employee identification number for the account is listed on the chart.

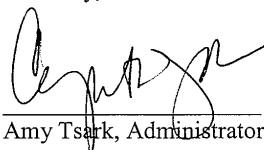
5. We agree that DHS needs to obtain SSA's approval of reimbursement for retroactive foster board payments. Staff was instructed by SSA representatives at the July 29<sup>th</sup> meeting of this procedure. In addition, when FMO receives a letter from SSA of a new recipient, FMO will attach the SSA form with instructions to CWS staff to complete the SSA Form to request approval for retroactive payments, etc. Staff will include the dates of prior foster board payments and fax to SSA. Upon receipt of approval, the form will be placed in the child's record and a copy will be sent to FMO.

To account for how DHS used past due benefits for two children, DHS already sent \$11,818 for case number 9 to SSA. DHS will establish a trust fund for \$3,058 for case number 4.

6. We agree that DHS needs to take more corrective actions for all our beneficiaries. We have included those actions in this report. We intend to continue our efforts in improving our accounting of benefits and timely reporting of changes in a child's circumstances. We appreciate the review process in identifying deficiencies in our system and to help identify what we needed to improve on so that each child will receive their rightful benefits. We have also extended a purchase of service contract with Legal Aide Society of Hawaii to help identify and process applications for SSI so that more children can receive their entitlements.

Thank you for the opportunity to respond to the report and to allow us to inform your office of our corrective actions. Should you have any questions, please contact Kathy Swink, Assistant Program Administrator, at (808) 586-5699 or John Walters, Program Development Administrator, at (808) 586-5675.

Sincerely,

  
\_\_\_\_\_  
Amy Tsark, Administrator

c: James J. Klein, Director, San Francisco Adult Division  
Peter D. Spencer, Regional Commissioner, San Francisco  
Tessy Yokota, Social Security Administration, Hawaii  
Lillian B. Koller, Director

## ***Appendix G***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

James J. Klein, Director, San Francisco Audit Division, (510) 970-1739

Jack H. Trudel, Audit Manager, (510) 970-1733

### ***Acknowledgments***

In addition to those named above:

James Sippel, Senior Auditor

Manfei Lau, Auditor

For additional copies of this report, please visit our web site at  
[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-09-08-28045.

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