



SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

September 25, 2001

Refer To:

To: Laurie B. Watkins
Acting Regional Commissioner
Philadelphia

Inspector General

Subject: Financial-Related Audit of the Baltimore City Department of Social Services – An Organizational Representative Payee for the Social Security Administration
(A-13-00-10066)

Attached is a copy of our final report. The objectives of our review were to determine whether the Baltimore City Department of Social Services (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's policies and procedures.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.
for James G. Huse, Jr.

Attachment

cc:
Fritz Streckewald
Joellen Felice
Helen Hepner

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FINANCIAL-RELATED AUDIT OF THE
BALTIMORE CITY DEPARTMENT OF
SOCIAL SERVICES – AN ORGANIZATIONAL
REPRESENTATIVE PAYEE FOR
THE SOCIAL SECURITY ADMINISTRATION**

September 2001

A-13-00-10066

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- 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.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Executive Summary

OBJECTIVE

Our objectives were to determine whether the Baltimore City Department of Social Services (BCDSS) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage these beneficiaries¹ payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests.

Rep Payees are responsible for using benefits in the beneficiary or recipient's best interest. Their duties include

- using benefits to meet the beneficiary's current and foreseeable needs;
- conserving and investing benefits not needed to meet the beneficiary's current needs;
- maintaining accounting records of how the benefits are received and used;
- reporting events to SSA that may affect the beneficiary's entitlement or benefit payment amount;
- reporting any changes in circumstances that would affect their performance as a Rep Payee; and
- providing SSA an annual Representative Payee Report accounting for how benefits were spent and invested.

¹ We use the term "beneficiary" generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

RESULTS OF REVIEW

Our audit showed that BCDSS did not (1) have effective safeguards over the receipt and disbursement of Social Security benefits or (2) ensure that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. In addition, we could not determine whether BCDSS properly reported to SSA how benefits were spent and invested because SSA could not provide us with 11 of the 26 Representative Payee Reports we requested (see Other Matters). We found that BCDSS needs to make significant improvements in the following areas.

FINANCIAL MANAGEMENT AND ACCOUNTING FOR BENEFIT RECEIPTS AND DISBURSEMENTS

- BCDSS did not have adequate financial accounting controls to ensure the accuracy and completeness of recorded benefit receipts and disbursements. We found BCDSS did not record, or incorrectly recorded, benefit receipts and/or disbursements in 41 (82 percent) of the 50 beneficiary records we reviewed. We estimate the error in recording benefit receipts to be \$434,593 of an estimated \$1,791,018 in annual receipts. The estimated error in recording disbursements was \$1,193,871 of an estimated \$5,537,137² in annual disbursements.
- BCDSS needed improved safeguards over benefit receipts – Our review showed that BCDSS received approximately 481 monthly benefit payments by check, and those checks were vulnerable to theft and/or loss.

MONITORING AND REPORTING CHANGES IN BENEFICIARY CIRCUMSTANCES

- BCDSS did not adequately monitor and report to SSA changes in beneficiaries' circumstances that could have affected their eligibility. Our audit tests identified an estimated 236 changes in beneficiary circumstances BCDSS did not report to SSA. As a result, we estimate SSA overpaid BCDSS \$807,520 in benefit payments it received for SSA beneficiaries between September 1999 and August 2000.
- BCDSS did not always respond to SSA questionnaires concerning children's entitlement to benefits. As a result, 18 children appeared to have had their benefits incorrectly terminated. We estimate these children were underpaid a total of \$35,000 between September 1999 and August 2000.

² Disbursement for foster care expense is typically higher than the SSA benefit received. The difference in foster care expense is paid out of the State of Maryland's general fund.

BENEFICIARY-CONSERVED FUNDS

- BCDSS may have improperly spent beneficiary-conserved funds – As a result of our audit, BCDSS reviewed and updated its subsidiary ledgers of beneficiary receipts and disbursements. In doing so, it identified \$1.6 million in beneficiary-conserved funds that should have been deposited in beneficiaries' savings accounts. Based on our examination, we determined that certain missing conserved funds were spent on the wrong individuals. Also, given that our audit tests of BCDSS' financial records identified errors 82 percent of the time, and our eligibility tests identified payments errors 49 percent of the time, we do not believe the \$1.6 million in conserved funds is accurate.
- BCDSS did not return conserved funds to SSA beneficiaries who were no longer in their care. BCDSS' financial records showed \$864,000 in conserved funds due to former SSA beneficiaries. However, BCDSS had taken no action to pay the affected beneficiaries, new Rep Payees, or SSA, as required.

REPRESENTATIVE PAYEE SYSTEM

- SSA did not record in its Representative Payee System (RPS) all of the beneficiaries in BCDSS' care. We provided SSA the names of the affected beneficiaries so it could take corrective action to add them to RPS.

CONCLUSIONS AND RECOMMENDATIONS

BCDSS had significant internal control weaknesses, which prevented it from fully meeting its responsibilities as a Rep Payee. Our review showed that these problems had existed for at least the past 3 years. Given the pervasiveness of the conditions identified, we believe SSA and BCDSS need to thoroughly review all beneficiaries who were in BCDSS' care from August 1997 to the present. However, we are encouraged by BCDSS' responsiveness to our audit findings and recommendations. BCDSS provided us a comprehensive corrective action plan that, if properly implemented, should significantly improve its financial management and oversight of Social Security benefits. We also provided SSA the overpayment and underpayment cases we identified so it could begin taking corrective action for these cases.

We recommend that SSA:

FINANCIAL MANAGEMENT AND ACCOUNTING FOR BENEFIT RECEIPTS AND DISBURSEMENTS

1. Require BCDSS to implement accounting controls to ensure that all benefit receipts and disbursements are accurately recorded.
2. Establish direct deposit for all beneficiaries in BCDSS' care.

MONITORING AND REPORTING CHANGES IN BENEFICIARY CIRCUMSTANCES

3. Ensure that BCDSS implements controls to monitor and report to SSA all changes in circumstances that affect the amount of benefits beneficiaries receive or the right of beneficiaries to receive benefits. In addition, BCDSS should take corrective action to identify and repay all overpayments due to changes in beneficiaries' circumstances.
4. Determine the entitlement status of all beneficiaries who may have had their benefits incorrectly terminated because BCDSS did not return a questionnaire. Ensure BCDSS establishes controls to receive and respond to all SSA questionnaires.

BENEFICIARY-CONSERVED FUNDS

5. Require BCDSS to determine the accuracy of its estimated \$1.6 million in beneficiary-conserved funds that it spent on the wrong individuals. Thereafter, SSA should determine the impact on the affected beneficiaries' eligibility for benefits and take appropriate corrective actions.
6. Require BCDSS to implement controls to ensure it transfers conserved funds for beneficiaries who are no longer in its care to new Rep Payees, SSA, or the beneficiaries. In addition, BCDSS should determine the accuracy of the \$864,000 in conserved funds due SSA beneficiaries who are no longer in its care. As appropriate, pay any conserved funds to the affected beneficiaries, new Rep Payees, or SSA.

REPRESENTATIVE PAYEE SYSTEM

7. Update RPS to include all beneficiaries for whom BCDSS was selected as Rep Payee.

AGENCY COMMENTS

SSA agreed with or will consider all of our recommendations and provided additional technical comments on the audit methodology, findings, and recommendations. (See Appendix B for the full text of SSA's comments.)

OIG RESPONSE

We responded to SSA's comments on the audit methodology, findings and recommendations by incorporating changes to the report where appropriate. We also responded to each of SSA's comments in Appendix B.

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Acronyms

BCDSS	Baltimore City Department of Social Services
EFT	Electronic Funds Transfer
OASDI	Old-Age, Survivors and Disability Insurance
Rep Payee	Representative Payee
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income

Introduction

OBJECTIVE

Our objectives were to determine whether the Baltimore City Department of Social Services (BCDSS) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage these beneficiaries' and recipients' benefit payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when representative payments would serve the individual's interest.

Rep Payees are responsible for using benefits to serve the beneficiary or recipient's best interest. Their duties include

- using benefits to meet the beneficiary's current and foreseeable needs;
- conserving and investing benefits not needed to meet the beneficiary's current needs;
- maintaining accounting records of how the benefits are received and used;
- reporting events to SSA that may affect the individual's entitlement or benefit payment amount;
- reporting any changes in circumstances that would affect their performance as a Rep Payee; and
- providing SSA an annual Representative Payee Report accounting for how benefits were spent and invested.

About 6.5 million individuals have Rep Payees: approximately 4.2 million are OASDI beneficiaries, 1.7 million are SSI recipients, and approximately 500,000 are entitled to both OASDI and SSI.

The following chart reflects the types of Rep Payees and the number of individuals they serve.

Type of Rep Payee	Number of Rep Payees	Number of Individuals
Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others	4,155,000	5,750,000
Organizational Payees: State Institutions, Local Governments and Others	44,150	690,000
Organizational Payees: Fee-for-Service	850	60,000
Total	4,200,000	6,500,000

BCDSS

The Social Services Administration of the State of Maryland Department of Human Resources administers social services in each of Maryland's 23 counties and Baltimore City through local departments of social services. The Mayor of the City of Baltimore, with approval from the Secretary of Human Resources and advice from the Social Services Advisory Commission, appoints the director for BCDSS. BCDSS provides adoption, foster care and protective services to children and families with children. BCDSS received benefit payments of about \$1.8 million from September 1, 1999 through August 31, 2000 for 481 SSA beneficiaries. All of the beneficiaries are children who live in a foster care home, a group home, or an institution.

SCOPE AND METHODOLOGY

Our audit covered the period September 1, 1999 through August 31, 2000.

To accomplish our objectives, we did the following.

- Reviewed the Social Security Act and SSA policies and procedures pertaining to Rep Payees.
- Contacted SSA regional office and field office staffs to obtain background information about BCDSS performance as a Rep Payee.
- Reviewed previous State of Maryland Office of Legislative Audits reports on BCDSS.

- Obtained from SSA's Rep Payee System a list of individuals who were in BCDSS' care and had received SSA funds as of September 27, 2000 or who left BCDSS' care after August 31, 1999.
- Obtained from BCDSS a list of individuals who were in its care and had received SSA funds as of September 27, 2000 or who left its care after August 31, 1999.
- Compared and reconciled the Rep Payee System list to BCDSS' list to identify the population of SSA individuals who were in BCDSS' care from September 1, 1999 through August 31, 2000.
- Reviewed BCDSS' internal controls over the receipt and disbursement of OASDI benefits and SSI payments.
- Performed the following tests for a random sample of 50 beneficiaries/recipients.
 - Compared and reconciled benefit amounts paid according to BCDSS' records to benefit amounts paid according to SSA's payment records.
 - Reviewed BCDSS' accounting records to determine whether benefits were properly spent or conserved on the individual's behalf.

Traced a sample of expenses to source documents and examined the underlying documentation for reasonableness and authenticity.

- Determined whether BCDSS effectively monitored and reported to SSA changes in beneficiaries' circumstances that affected eligibility for OASDI benefits/SSI payments.
- Interviewed a sample of beneficiaries to determine whether their basic needs were being met.
- Reviewed a sample of Representative Payee Reports, to determine whether BCDSS properly reported to SSA how benefits were used.

We performed our audit in Baltimore, Maryland, from October 2000 to February 2001. We conducted our audit in accordance with generally accepted government auditing standards.

Results of Review

Our audit showed that BCDSS did not (1) have effective safeguards over the receipt and disbursement of Social Security benefits or (2) ensure that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. In addition, we could not determine whether BCDSS properly reported to SSA how benefits were spent and invested because SSA could not provide us with 11 of the 26 Representative Payee Reports we requested (see Other Matters). We found that BCDSS needs to make significant improvements in the following areas.

FINANCIAL MANAGEMENT AND ACCOUNTING FOR BENEFIT RECEIPTS AND DISBURSEMENTS

BCDSS Did Not Have Adequate Financial Accounting Controls

Rep Payees are required to keep accurate and complete records to show how much they received in SSA benefits and how this money was used. We found BCDSS did not have adequate controls to ensure the accuracy and completeness of recorded benefit receipts and disbursements. During our review, we learned that BCDSS did not perform any of the following quality control checks.

- Accounting entries were not independently reviewed.
- Subsidiary ledgers and records were not reconciled to general ledgers.
- Bank statements were not reconciled to the subsidiary ledger.

To determine the accuracy of BCDSS financial records, we reviewed a random sample of 50 beneficiaries' records. We compared and reconciled SSA's and BCDSS' records of benefits paid; reviewed BCDSS' accounting records to determine whether benefits were properly spent; and traced a sample of expenses to source documents to examine the underlying documentation for reasonableness and authenticity. Our tests of BCDSS' financial records indicated it did not record or incorrectly recorded benefit receipts and/or disbursements for 41 (82 percent) of 50 beneficiary records we reviewed.

For the total population of the 481 beneficiaries in BCDSS' care, we estimate the error rate in recording benefit receipts was \$434,593 (24 percent) of an estimated \$1,791,018 in annual receipts. The estimated error rate in recording disbursements was \$1,193,871 (22 percent) of an estimated \$5,537,137 in annual disbursements (see Appendix A).

BCDSS Needed Improved Safeguards Over Beneficiary Receipts

The Debt Collection Improvement Act of 1996¹ requires most Federal payments to be made by electronic funds transfer (EFT), beginning January 1999. However, the requirement to receive payments by direct deposit can be waived if it would impose a hardship on the individual.² Direct deposit is a secure way of receiving payments and protects beneficiaries from the loss, theft, or delays associated with mailing paper checks. For a Rep Payee, EFT is an effective and efficient process that saves the time and effort of handling numerous benefit checks.

BCDSS receives approximately 481 beneficiary payments by check rather than direct deposit. We found the manner in which BCDSS processed beneficiaries' checks was labor-intensive and not adequately controlled. Therefore, the checks were susceptible to loss and/or theft. BCDSS' mailroom personnel receive checks from the Post Office and bring them to the Finance Office where personnel open the envelopes containing checks and input check information in a cash receipts log. A second Finance Office individual verifies the cash receipts log and check information. The checks and log are then forwarded to the Cashier's Office where a bank deposit slip is prepared and the checks and deposit slip are placed in a locked bank bag and given to a courier, who deposits the checks. The courier returns the deposit slip to the Cashier's Office showing the actual amount deposited. During our review, we determined that uncashed benefit checks were placed in various in-boxes and were not safeguarded from loss and/or theft.

Direct deposit of benefits would minimize the vulnerability to loss and/or theft and eliminate the processing time involved in handling 481 benefit checks each month. Given the manual process' inherent vulnerability to theft and/or loss, we reviewed 33 checks BCDSS received to ensure they were properly deposited in BCDSS' bank account. We determined that all the receipts were accounted for and properly deposited into BCDSS' bank account.

MONITORING AND REPORTING CHANGES IN BENEFICIARY CIRCUMSTANCES

One of a Rep Payee's primary responsibilities is to notify SSA of any event that will affect the amount of an individual's benefits or the right to receive such benefits. For example, some of the events include the following:

- receipt of other Government benefits,
- change of child custody,
- imprisonment or commitment to an institution,
- change in income or resources, and
- marriage.

¹ 31 C.F.R. § 208.3.

² 31 C.F.R. § 208.4.

The Rep Payee must notify SSA of any such changes within 10 days after the month in which the change occurred.

Our review showed that BCDSS did not adequately monitor and report to SSA changes in circumstances that affected individuals' benefits. As a result, BCDSS was overpaid³ benefits it received on behalf of beneficiaries. These overpayments occurred because of the receipt of other Government benefits, resources over \$2,000, and/or a change in living conditions. Our audit tests identified 141 changes in beneficiaries' circumstances that were not reported to SSA that resulted in \$574,375 in overpayments from September 1999 through August 2000. We also estimate BCDSS did not report an additional 95 changes in beneficiaries' living conditions that resulted in estimated overpayments of \$233,145 for the same period (see Appendix A).

The following table summarizes the number, type, and amount of overpayments.

Type of Benefit	Cases Reviewed	Cases Overpaid	Gov't. Benefit	Resources	Living Condition ⁴	Amount Overpaid
SSI	288	207	84	46	77	\$746,808
OASDI	193	29	0	N/A	29	\$60,712
Total	481	236	84	46	106	\$807,520

BCDSS Did Not Report the Receipt of Other Government Benefits

The Foster Care and Adoption assistance program, authorized under title IV-E of the Social Security Act,⁵ helps States provide care for children who need placement outside their homes in a foster family home or in an institution. The program provides Federal matching funds to States who administer the program. SSA policy⁶ 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.

We found that BCDSS did not track and identify SSI recipients who were collecting both title IV-E and SSI payments. According to BCDSS, its procedures require a manual matching of SSI payment records with funds BCDSS claimed under title IV-E.

³ The terms "overpaid" and "overpayment" are used to refer to payments that beneficiaries are not entitled to or payments that were incorrectly paid to BCDSS because the beneficiaries were no longer in BCDSS' care.

⁴ Statistical projection based on a sample of 50 beneficiary records (see Appendix A).

⁵ Social Security Act, title IV, part E, sections 470-479A, 20 C.F.R. § 416.1143.

⁶ SSA, *Program Operations Manual System*, SI 00835.790.B.3.

However, BCDSS had not performed this match for any of the beneficiaries in its care during our audit period.

We obtained from BCDSS a file of all individuals collecting title IV-E benefits. We then matched these records to individuals collecting SSI payments. Our match identified 84 SSI recipients who were collecting both SSI and title IV-E payments. These individuals received \$318,188 in previously unidentified overpayments from September 1999 through August 2000.

BCDSS Did Not Identify and Report Excess Resources

Under the SSI program, individuals with countable resources that exceed \$2,000 are not eligible for Federal SSI or federally administered State supplementary payments. If a recipient's resource's exceed this limit, benefit payments to that recipient are suspended. Such benefits will resume if the recipient's resources later fall below the limit.

We found BCDSS did not monitor and review SSI recipients' resources to identify individuals with financial resources of more than \$2,000. In addition, BCDSS had not maintained subsidiary ledgers of beneficiary receipts and disbursements since August 1997. Consequently, they had no records to accurately determine the amount of beneficiaries' resources.

As part of our audit, we requested that BCDSS review and update its financial records for August 1997 through August 2000. We then reviewed all SSI recipients who had conserved funds over \$2,000. Our review identified 46 SSI recipients with resources over \$2,000, making them ineligible for SSI. In one case, an SSI recipient had \$26,296 in conserved funds. The overpayments attributable to excess resources for the period September 1999 through August 2000 totaled \$229,140.⁷ BCDSS had not previously identified and reported any of these overpayments to SSA.

⁷ We identified nine SSI recipients who were overpaid a total of \$15,238 because they had resources over \$2,000. We did not include these cases in the estimated overpayment of \$229,140 since they were included in the overpayment due to the receipt of title IV-E payments.

BCDSS Did Not Report Changes in Living Conditions

One of BCDSS' responsibilities is to report to SSA any changes in beneficiaries' living conditions that may affect their eligibility for benefits. The events BCDSS must report include the following:

- changes in the custody of a child beneficiary,
- adoptions of children,
- return of children to their natural parents,
- institutionalization or imprisonment of beneficiaries for crimes, and
- children who reach the age where they are no longer eligible to be in the Foster Care Program (aged out).

We found that BCDSS did not monitor and report to SSA changes in beneficiaries' living conditions that affected benefit amounts and eligibility. Therefore, we reviewed BCDSS' financial records to identify beneficiaries who had changes in living conditions that were not reported to SSA. We selected a random sample of 50 beneficiaries in BCDSS' care and identified 13 cases that indicated there had been a change in the beneficiary's living condition that had not been reported to SSA.

The 13 cases we reviewed showed there were no room-and-board expenses (disbursements) for 1 or more months during the year, suggesting the child may have left BCDSS' care. Our review showed that, in all 13 cases, BCDSS was not entitled to receive 1 or more payments on the beneficiaries' behalf. The reasons for the overpayments were as follows: five children were adopted; three children had run away and could not be located; two children were no longer eligible to be in the Foster Care Program; one child was returned to its natural parent; one child was hospitalized; and one child was imprisoned.

In 4 of the 13 cases, there were no room-and-board expenses for the entire year. For example, in one case, a child was adopted in September 1998. One child left the Foster Care Program when she attained age 18 in February 1997. For the remaining nine cases, there were no room-and-board expenses for some months during the year. For example, one child was adopted in May 2000, and two children had run away in March 2000. The overpayments for the 13 cases in our sample were \$27,047. In all 13 cases BCDSS spent the benefits received on behalf of these beneficiaries. Since these beneficiaries were no longer in BCDSS' care, the funds were not used for their benefit. As such, these payments were potentially misused. We provided these cases to SSA and requested it to make a misuse determination.

For the total population of the 481 beneficiaries in BCDSS' care between September 1999 and August 2000, we estimate there were 106 children who had an unreported change in living conditions. As a result, we estimate BCDSS has been overpaid \$260,192 in benefit payments received on behalf of these beneficiaries (Appendix A).

BCDSS Did Not Return SSA Beneficiary Questionnaires

SSA requires Rep Payees with children in their care to periodically confirm the children's eligibility for benefits. One of the mechanisms to accomplish this is a questionnaire SSA sends to Rep Payees who have children aged 15 to 17 in their care. The purpose of the questionnaire is to identify unreported marriages. When SSA sends the questionnaire, it informs the Rep Payee of its intent to terminate the child's benefits if the Rep Payee does not complete and return the form.

We found that BCDSS had no controls to properly track the receipt, completion, and return of marriage questionnaires. Therefore, we identified all children in BCDSS' care who had their benefits terminated due to marriage. Our review showed that SSA terminated children's benefits in 18 cases because BCDSS did not respond to an SSA questionnaire about whether the beneficiary was married. If these children did not marry, then SSA incorrectly terminated their benefits. The potential underpayment between September 1999 and August 2000 payable to these children was \$35,199.

BENEFICIARY-CONSERVED FUNDS

After a Rep Payee has used benefit payments for the beneficiaries' current and foreseeable needs, the Rep Payee must conserve or invest any remaining funds on the beneficiary's behalf. In addition, Rep Payees who have conserved or invested benefit payments and who are no longer serving as Rep Payee, must transfer these funds to a successor Rep Payee, SSA, or the beneficiary.

BCDSS May Have Improperly Spent Beneficiary-Conserved Funds

We found BCDSS had not maintained beneficiary records of receipts and expenses for the past 3 years. BCDSS attributed this problem to high turnover in personnel. In addition, BCDSS stated it had problems with its bank. BCDSS acknowledged the problem and reviewed and updated its subsidiary ledgers of beneficiary receipts and disbursements. During this process, it identified \$1,665,400 in beneficiary conserved funds that should have been deposited in beneficiaries' savings accounts; however, based on our tests, some of these funds had been spent on other individuals. According to BCDSS, as of January 2001, all of these funds had been repaid and deposited in savings accounts for the affected beneficiaries.

BCDSS Did Not Return Beneficiary-Conserved Funds

In August 2000, BCDSS' records showed about \$864,000 in conserved funds due to about 290 former SSA beneficiaries. However, BCDSS had taken no action to pay the \$864,000 to the affected beneficiaries, new Rep Payees, or SSA, as required. The conserved funds balances ranged from \$2 to over \$35,000.

We did not determine the actual value of BCDSS' self-identified conserved funds. However, given that our audit tests of BCDSS' financial records identified errors 82 percent of the time, and our eligibility tests identified payment errors 49 percent of the time, we do not consider these amounts to be accurate. Consequently, BCDSS and SSA need to carefully review these cases to determine the appropriate amounts payable to the affected beneficiaries, new Rep Payees, or SSA.

REPRESENTATIVE PAYEE SYSTEM

The Omnibus Budget Reconciliation Act of 1990⁸ requires SSA to provide for more specific identification and control of all Rep Payees and the beneficiaries they serve. As a result, SSA established the Representative Payee System (RPS). The RPS is an on-line system for entering and retrieving information about Rep Payees and those applying to be Rep Payees. The RPS contains data about Rep Payee applicants; beneficiaries in the Rep Payee's care; and the relationship between the Rep Payee and the beneficiaries. In addition, SSA uses the RPS to select a sample of beneficiaries for review during its on-site visits with Rep Payees.

To determine the number of beneficiaries in BCDSS' care, we compared BCDSS records of beneficiaries to SSA's records of beneficiaries in RPS. As a result, we identified seven beneficiaries for whom BCDSS served as the Rep Payee that were not recorded in RPS. We analyzed these cases to determine why they had not been entered into RPS. We found the seven beneficiaries had been with BCDSS before the RPS was implemented. These cases were omitted when RPS was initially established. We provided SSA the names of the seven beneficiaries so it could take corrective action to add them to RPS.

⁸ 42 U.S.C. § 405(j)(2).

Conclusions and Recommendations

BCDSS had significant internal control weaknesses, which prevented it from fully meeting its responsibilities as a Rep Payee. Our review showed that these problems had existed at least for the past 3 years. Given the pervasiveness of the conditions identified, we believe SSA and BCDSS need to thoroughly review all beneficiaries who were in BCDSS' care from August 1997 to the present. However, we are encouraged by BCDSS' responsiveness to our audit findings and recommendations. BCDSS provided us a comprehensive corrective action plan that, if properly implemented, should significantly improve its financial management and oversight of Social Security benefits. We also provided SSA the overpayment and underpayment cases we identified so it could begin taking corrective action for these cases.

We recommend that SSA:

FINANCIAL MANAGEMENT AND ACCOUNTING FOR BENEFIT RECEIPTS AND DISBURSEMENTS

1. Require BCDSS to implement accounting controls to ensure that all benefit receipts and disbursements are accurately recorded.
2. Establish direct deposit for all beneficiaries in BCDSS' care.

MONITORING AND REPORTING CHANGES IN BENEFICIARY CIRCUMSTANCES

3. Ensure that BCDSS implements controls to monitor and report to SSA all changes in circumstances that affect the amount of benefits beneficiaries receive or the right of beneficiaries to receive benefits. In addition, BCDSS should take corrective action to identify and repay all overpayments due to changes in beneficiaries' circumstances.
4. Determine the entitlement status of all beneficiaries who may have had their benefits incorrectly terminated because BCDSS did not return a questionnaire. Ensure BCDSS establishes controls to receive and respond to all SSA questionnaires.

BENEFICIARY-CONSERVED FUNDS

5. Require BCDSS to determine the accuracy of its estimated \$1.6 million in beneficiary-conserved funds that it spent on the wrong individuals. Thereafter, SSA should determine the impact on the affected beneficiaries' eligibility for benefits and take appropriate corrective actions.

6. Require BCDSS to implement controls to ensure it transfers conserved funds for beneficiaries who are no longer in its care to new Rep Payees, SSA, or the beneficiaries. In addition, BCDSS should determine the accuracy of the \$864,000 in conserved funds due SSA beneficiaries who are no longer in its care. As appropriate, pay any conserved funds to the affected beneficiaries, new Rep Payees, or SSA.

REPRESENTATIVE PAYEE SYSTEM

7. Update RPS to include all beneficiaries for whom BCDSS was selected as Rep Payee.

AGENCY COMMENTS

SSA agreed with or will consider all of our recommendations and provided additional technical comments on the audit methodology, findings, and recommendations. (See Appendix B for the full text of SSA's comments.)

OIG RESPONSE

We responded to SSA's comments on the audit methodology, findings and recommendations by incorporating changes to the report, where appropriate. We also responded to each of SSA's comments in Appendix B.

Other Matters

SSA MONITORING AND OVERSIGHT OF BCDSS

Our review identified numerous internal control weaknesses in BCDSS' performance as a Rep Payee for SSA. Many of these conditions would have been detected if SSA had performed an on-site review of BCDSS. However, SSA has several other oversight mechanisms that were alerted to some of the problems with BCDSS. During our review, we identified the following items that raised questions about the effectiveness of SSA's oversight of BCDSS.

Rep Payee Reports

One method SSA uses to monitor Rep Payees is the Rep Payee Report. This Report is supposed to assist SSA in determining (1) the use of benefits during the proceeding 12-month reporting period, (2) the Rep Payee's continuing suitability, and (3) the continuing need for representative payment.⁹ Depending on the Rep Payee's responses, SSA may contact the Rep Payees to determine their continued suitability. During our review, we found several completed Rep Payee Reports that had questionable information. In addition, we found that SSA could not always obtain and retrieve BCDSS' completed Rep Payee Reports.

Rep Payee Reports with Conserved Funds Over \$2,000

We obtained three completed Rep Payees Reports where BCDSS reported to SSA conserved funds for SSI recipients over \$2,000. For example, in one case, BCDSS reported \$12,562 in conserved funds. This should have initiated an SSA review to determine whether the recipient was still eligible for payments. However, no review was performed, and, as a result, benefits continued uninterrupted.

Rep Payee Reports with No Beneficiary Expenses

For the same three completed Rep Payee Reports, BCDSS reported it spent none of the benefits it received from SSA. We believe this should have alerted SSA to potential problems. This especially applies to SSI recipients who are entitled to payments based on financial need. According to SSA's records, no follow-up actions were taken to determine why BCDSS was not spending any money on behalf of the beneficiaries. For two of these children, we determined that BCDSS had not spent any money because the children were no longer in its care because they had been adopted.

⁹ SSA, *Program Operations Manual System*, GN 00605.066, GN 00605.067, GN 00605.090, GN 00605.221.

SSA Retrieval of Rep Payee Reports

As part of our audit, we planned to review a sample of completed Rep Payee Reports to determine whether BCDSS met its reporting responsibilities. We requested the most recently completed Rep Payee Reports for 26 beneficiaries. However, SSA only provided 15 of the 26 Reports we requested. Therefore, for the remaining 11, we could not determine whether BCDSS properly submitted Rep Payee Reports.

SSI Redeterminations

Another oversight method SSA uses to identify Rep Payees who may not be meeting their responsibilities is a redetermination. A redetermination is a review of an SSI recipient's non-medical eligibility factors (that is, income, resources, and living arrangements) to ensure they are still eligible for and receiving the correct SSI payment.

During our review, we identified several conditions that should have been detected during the redetermination process. For example, of the 84 individuals who were collecting both SSI and title IV-E, SSA had performed redeterminations for 18. However, none of the redeterminations identified that BCDSS was improperly collecting both SSI and title IV-E payments.

COLLECTION OF OVERPAYMENTS TO BCDSS

While performing our audit, we identified 63 outstanding overpayments BCDSS owed SSA. These overpayments occurred before our audit period and were therefore outside the scope of our review. We reviewed these cases to determine whether SSA was taking appropriate actions to collect the overpayments. We found SSA had begun recovery efforts on 10 overpayments. However, for the remaining 53 overpayments, totaling \$65,055, SSA had taken no collection action. These overpayments occurred between September 1994 and May 1999 and occurred for various reasons. SSA's records indicated that

- no decision had been made on 47 cases;
- recovery efforts were suspended on 5 cases; and
- the field office determined 1 case to be uncollectible.

We brought this to the attention of SSA's field office personnel, and they have begun collecting the overpayments from BCDSS.

Appendices

Sampling Methodology and Results

To determine the accuracy of BCDSS' financial records, we reviewed a random sample of 50 beneficiaries' records. We compared and reconciled SSA's and BCDSS' records of benefits paid; reviewed BCDSS' accounting records to determine whether benefits were properly spent; and traced a sample of expenses to source documents to examine the underlying documentation for reasonableness and authenticity. We found that BCDSS did not record, or incorrectly recorded, benefit receipts and/or disbursements in 41 (82 percent) of the beneficiaries' records we reviewed.

For the total population of the 481 beneficiaries in BCDSS' care, we estimate the error in recording benefit receipts to be \$434,593 of an estimated \$1,791,018 in annual receipts. The estimated error in recording disbursements was \$1,193,871 of an estimated \$5,537,137 in annual disbursements. Disbursement for the foster care expense is typically higher than the SSA benefit received. The difference is paid out of the State of Maryland's general fund.

Financial Records Sample Results and Projections – Receipts	
Population size	481
Sample size	50
Attribute Appraisal	
Sample cases with errors	37
Projected number of errors in the population	356
Projections:	
Lower limit	300
Upper limit	402
Variables Appraisal	
Total dollars in sample	\$186,176
Sample value of errors	\$ 45,176
Projected dollar error in the population	\$434,593
Projections:	
Lower limit	\$123,998
Upper limit	\$745,188

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

Financial Records Sample Results and Projections – Disbursements

Population size	481
Sample size	50

Attribute Appraisal

Sample cases with errors	37
Projected number of errors in the population	356
Projections:	
Lower limit	300
Upper limit	402

Variables Appraisal

Total dollars in sample	\$ 575,586
Sample value of errors	\$ 124,103
Projected dollar error in the population	\$1,193,871
Projections:	
Lower limit	\$ 711,867
Upper limit	\$1,675,874

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

We selected a random sample of 50 beneficiaries in BCDSS' care and identified 13 cases that indicated there had been a change in the beneficiary's living conditions. The 13 cases we reviewed showed there were no room and board expenses for 1 or more months during the year, thus suggesting the child may have left BCDSS' care. Our review showed that, in all 13 of the cases, BCDSS was not entitled to receive one or more payments on behalf of the beneficiaries.

Changes in Beneficiary Living Conditions Sample Results and Projections	
Population size	481
Sample size	50
Attribute Appraisal	
Sample cases with an unreported change in living conditions	11 ¹
Projected number of unreported changes in living conditions	106
Projections:	
Lower limit	63
Upper limit	160
Variables Appraisal	
Sample value of overpayments Due to an unreported change in living conditions	\$ 27,047 ²
Projected value of overpayments Due to unreported changes in living conditions	\$260,192
Projections:	
Lower limit	\$125,667
Upper limit	\$394,717

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

¹ We did not include 2 of the 13 cases since they were included in the excess resources overpayments for SSI recipients.

² Sample error dollars are for 11 cases.

Appendix B

Agency Comments with OIG Responses



SOCIAL SECURITY

Memorandum

Date: 07/23/01

To: James G. Huse Jr.
Inspector General

From: Laurie Watkins

Acting Regional Commissioner
of Social Security Administration
Philadelphia Region

Financial-Related Audit of the Baltimore City Department of Social Services – An Organizational Representative Payee for the Social Security Administration (A-13-00-10066)

Attached are our comments on the draft report. We appreciate the opportunity to provide our views. If you wish to discuss the draft report, please call me at 215-597-5157.

Laurie B. Watkins

Attachment

cc: James Kissko

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,
“FINANCIAL-RELATED AUDIT OF THE BALTIMORE CITY DEPARTMENT OF SOCIAL
SERVICES – AN ORGANIZATIONAL REPRESENTATIVE PAYEE FOR THE SOCIAL
SECURITY ADMINISTRATION (A-13-00-10066)”**

We appreciate the opportunity to respond to your recommendations in this draft report. Providing oversight to the representative payee program is an important responsibility and we share with the Baltimore City Department of Social Services (BCDSS) an overriding concern that beneficiary needs are met. BCDSS has acknowledged that the audit findings dictate that immediate remedies are necessary. Following the communication of findings by the OIG in February 2001, they prepared a comprehensive correction action plan, which was cited in a status report to OIG dated March 15, 2001. Although the receipt by OIG of this report is not acknowledged in the audit report, we have incorporated, as appropriate, BCDSS' own descriptions of planned and completed actions into our comments. This was done to reinforce the joint responsibility that we and BCDSS share with regard to representative payment, and in deference to their written request that the report be included in the official report.

OIG Response

We have revised the report to acknowledge BCDSS' efforts to improve its financial management and oversight of Social Security benefits.

Before addressing the specific recommendations, we wish to challenge several aspects of the audit methodology, findings and recommendations. We expected this audit report to reflect a comprehensive, data-driven assessment of the BCDSS, with recommendations reflecting a thoughtful analysis of the findings. Instead, we find it difficult to accept many of the conclusions/recommendations for the following reasons:

1. Estimated error rates and overpayment amounts were used and stated as findings.

In several instances, error rates for the OIG sample cases were projected to the entire universe of beneficiaries for whom BCDSS was payee for during the audit period. We believe the report should be clearer in distinguishing findings drawn from review of the whole population or from a sample. This is particularly important with regard to showing overpayments/underpayments projected from samples in terms of the confidence intervals for the outcome ranges projected from the samples, rather than as firmly-established amounts.

OIG Response

We revised the report to clarify those findings drawn from a sample versus those from the entire population. The sample findings, projected errors, and confidence levels are also fully disclosed in Appendix A.

2. Incorrect payments are included in overpayment figures.

No distinction is made between the concept of overpayment (payment not due to a beneficiary) versus incorrect payment (payments due the beneficiary that were incorrectly paid to BCDSS). This practice has a similar result of over-inflating overpayment amounts.

OIG Response

We have revised the report to define the term overpayment and overpaid. Any payments paid to BCDSS that were spent for purposes other than the benefit of the beneficiary potentially constitute misuse of benefits. We have revised the report to state to reflect this concern.

3. The findings cover different time periods.

The audit period is listed in the report as September 1, 1999 through August 31, 2000. Yet the amount cited in the report of conserved funds due beneficiaries covers a three- year period. We would expect that all dollar figures consistently reflect the same period of time, so as not to over-inflate the findings.

OIG Response

Government Auditing Standards require that we report all significant findings identified during our audit. Because these items came to our attention during this review, we reported them and disclosed the period to which these findings related.

4. The draft report cites, yet questions, the accuracy of conserved funds amounts identified by BCDSS.

BCDSS identified and shared with OIG specific money amounts as conserved funds due to beneficiaries. OIG described the same figures as “not reliable,” based not on independent verification, but on an assumption because of the percentage of errors found during the audit. This appears unfounded, because OIG specifically stated that the accuracy of the figures was not tested. It is not, in our opinion, appropriate to include BCDSS’ self-identified conserved funds amounts in the report and at the same time characterize them as inaccurate.

OIG Response

We have revised the report to state that we did not determine the actual value of BCDSS’ self-identified conserved funds. However, given that our audit tests of BCDSS’ financial records identified errors 82 percent of the time, and our eligibility tests identified payment errors 49 percent of the time, we do not consider these amounts to be accurate. We believe those tests provide sufficient and competent evidence that BCDSS’s self-identified conserved funds amounts cannot be relied upon since there were derived from the same records we examined during our audit. Consequently, we have recommended that BCDSS determine the accuracy of the conserved funds amounts.

5. The audit period was prior to the implementation of the agency’s increased monitoring plan.

The requirement for a site visit to BCDSS was not in place prior to June 2000, yet the report alludes to the fact that had such a review been conducted, the weaknesses in BCDSS’ controls would have been detected. The institution of the increased monitoring plan for organizational payees was designed to detect just these sorts of problems. We believe that the measures put in place last June have already begun to address areas where the agency was perceived as vulnerable in the oversight process.

OIG Response

SSA has always had a stewardship responsibility to ensure Rep Payees are meeting their responsibilities to the beneficiaries they serve. While there may not have been an affirmative requirement to perform an on-site review of BCDSS, SSA was never prohibited from doing so. We are simply noting the importance of performing these types of reviews.

6. The report appears to hold the region and BCDSS accountable for national policies and procedures.

OIG stated that we failed to review questionable information on SSA-623s and that BCDSS failed to complete SSA-623s, but the report does not specifically describe the findings leading to these conclusions. This is necessary information in light of the national procedures for handling SSA-623s, which involve a central unit reviewing completed forms. Questionable forms are sent to the

field office (FO) for action, rather than the FO being able to initiate such a review, as the report suggests. There is also a separate national system that controls retention and retrieval of SSA-623s. Until specifics are provided, it is premature to imply that BCDSS did not return all the forms that were requested by OIG.

OIG Response

The report does not state “BCDSS failed to complete SSA-623s” Instead, it indicates that, SSA did not provide 11 reports, we could not determine whether BCDSS submitted the reports.

7. The report contains no mention of the fact that neither fraud nor misuse was found during the audit period.

There has been no indication that the beneficiaries served by BCDSS have experienced misuse of benefits, and in fact the draft report is conspicuously silent on that issue. We believe that positive feedback is equally important in the area of representative payment, and that it should be recognized that beneficiaries' needs were being met during the audit period. We find it troubling that OIG did not consider it appropriate to accede to the request of BCDSS to include their report in the draft report. It seemed clear from the tone and responsiveness of their corrective action plan that the department takes its responsibilities seriously and wants to bring its operation into compliance with SSA requirements.

OIG Response

There is potential misuse of benefits for those instances in which BCDSS spent the payments of beneficiaries who were no longer in its care on other foster care children. We identified 13 cases in our sample where BCDSS spent the benefits received while beneficiaries were not in BCDSS' care. We revised the report, provided these cases to SSA, and requested that it make a misuse determination.

For the 11 beneficiaries we interviewed, we found their needs were generally being met. However, our findings also revealed that BCDSS did not always ensure that beneficiaries' financial needs were met. For example, we are concerned about the potential financial impact on the 18 children whose benefits were terminated simply because BCDSS did not return a marriage questionnaire and the \$864,000 in potential conserved funds payable to 290 beneficiaries who were no longer in BCDSS' care. We are pleased with BCDSS' responsiveness to our audit findings and recommendations and have noted it accordingly in the report.

Detailed information regarding the issues presented above is contained in the section of this response entitled "Technical Comments." We ask that you carefully consider our position that there are issues in the draft report that could be construed as an unfair representation of BCDSS' performance as an organizational representative payee. We wish to insure that the validity of the facts is not open to question, and that the report presents a balanced and objective assessment of the findings. We cannot lose sight of the valuable service that this payee provides to one of our most vulnerable segments of the population.

We offer the following comments on the report's recommendations.

Recommendation 1

Require BCDSS to implement accounting controls to ensure that all benefit receipts and disbursements are accurately recorded.

Philadelphia Region Comment

We agree and will be working with BCDSS to insure that the controls put in place are adequate to safeguard that beneficiary funds are being properly used and accounted for. In a status report to OIG dated March 15, 2001, BCDSS stated "...We have instituted the necessary mechanisms to ensure that all checks are received and recorded promptly and accurately."

Recommendation 2

Establish direct deposit for all beneficiaries in BCDSS' care.

Philadelphia Region Comment

While we agree that the use of direct deposit should be considered, and will explore the feasibility of its use by BCDSS, there is currently no directive that mandates the use of direct deposit by BCDSS.

OIG Response

We have revised the report to state the requirement for direct deposit may be waived if it would impose a hardship on the individual.

Recommendation 3

Ensure that BCDSS implements controls to monitor and report to SSA all changes in circumstances that affect the amount of benefits beneficiaries receive or the right of beneficiaries to receive benefits. In addition, BCDSS should take corrective action to identify and repay all overpayments due to changes in beneficiaries' circumstances.

Philadelphia Region Comment

We agree and will review with BCDSS the procedures they have implemented to insure that they report changes timely and accurately. In a status report to OIG dated March 15, 2001, BCDSS addressed specific findings under this recommendation as follows:

- *Inadequate procedures to identify recipients who were collecting both Title IV-E and SSI*
"...Pending the initiation of an automated modification, the Federal Funding unit has initiated a modification in our manual process. An employee has been designated who will review the List of Checks Received each month. ...Our recommendation is that SSI payments be added to the foster care payment system and that the system be programmed to electronically identify cases where concurrent payments are taking place. The appropriate action can then be taken to stop the SSI or IV-E, and return any overpayments. This programming recommendation has already been made to DHR."
- *Inadequate procedures to identify recipients with resources of more than \$2,000*

“...the agency will institute procedures to ensure that resources do not exceed \$2,000 (see attached Standard Operating Procedure).”

- *Inadequate procedures to timely notify SSA of changes in living arrangements that affect benefit payments*

“...BCDSS has issued a standard operating procedure (see attached) to all staff who work with children in out-of-home care. The standard operating procedure identifies all circumstances where SSA must be notified of a change in living arrangement...A memo to be forwarded to SSA accompanies this standard operating procedure. The memo specifies the change which has occurred and the date of the change.”

We also agree that BCDSS must repay all overpayments created as a result of unreported changes and will complete all necessary actions to provide notification to BCDSS of the overpayment amounts in a timely manner.

Recommendation 4

Determine the entitlement status of all beneficiaries who may have had their benefits incorrectly terminated because BCDSS did not return a questionnaire. Ensure BCDSS establishes controls to receive and respond to all SSA questionnaires.

Philadelphia Region Comment

We agree that BCDSS needs to establish controls and will be working with BCDSS to insure that the controls put in place are adequate to safeguard that questionnaires are completed and returned on a timely basis. In a status report to OIG dated March 15, 2001, BCDSS stated “BCDSS has now instituted a new process where Federal Funding staff go to the child’s caseworker in order to obtain the information necessary to complete the Beneficiary Recontact Form. This face-to-face contact ensures that all forms are signed and returned.”

We also agree that the entitlement status of affected beneficiaries must be determined. We are working to compute the amounts of the underpayments due to beneficiaries, send those funds to BCDSS for those individuals still in BCDSS’ care and locate any individuals no longer in BCDSS’ care to pay them directly or to a new payee.

Recommendation 5

Require BCDSS to determine the accuracy of its estimated \$1.6 million in beneficiary conserved funds that it spent on the wrong individuals. Thereafter, SSA should determine the impact on the affected beneficiaries’ eligibility for benefits and take appropriate corrective actions.

Philadelphia Region Comment

We question why an assessment of the accuracy of conserved funds was not undertaken by OIG at the time of the audit, for at least a sample of the affected beneficiaries. Of note is that this item is not listed as a finding in the BCDSS action plan, which suggests that OIG did not share this recommendation with BCDSS.

We agree that appropriate corrective action must be taken for any affected beneficiaries and will be working with BCDSS to verify the conserved funds amounts.

OIG Response

See our previous response to Comment 4 (page B-3) above concerning BCDSS' self-identified conserved funds balances.

Recommendation 6

Require BCDSS to implement controls to ensure it transfers conserved funds for beneficiaries who are no longer in its care to new Rep Payees, SSA, or the beneficiaries. In addition, BCDSS should determine the accuracy of the \$864,000 in conserved funds due SSA beneficiaries who are no longer in its care. As appropriate, pay any conserved funds to the affected beneficiaries, new Rep Payees, or SSA.

Philadelphia Region Comment

We agree that BCDSS needs to implement controls and will review the procedures they have implemented to insure compliance with our regulations. In a status report to OIG dated March 15, 2001, BCDSS stated "The agency has had a staff member assigned who identifies the proper recipients for funds in dormant account. Because this is a critical assignment, BCDSS will now assign one and a half staff to work on this task. One will work on it full time. ...BCDSS has taken action to return some conserved funds to recipients. BCDSS has assigned staff to this function who determine the proper recipients for conserved funds. A standard operating procedure is in place for this process."

Recommendation 7

Update RPS to include all beneficiaries for whom BCDSS was selected as Rep Payee.

Philadelphia Region Comment

We agree. This action has been completed.

We offer the following technical comments.

TECHNICAL COMMENTS

Scope and Methodology

The 1st bullet on page 5 indicates that a sample of beneficiaries was interviewed to determine whether basic needs were being met. The draft report contains no summary of the results of these interviews. We can only conclude that no problems were uncovered and urge OIG to address this oversight by including their findings in the report.

OIG Response

Our conclusions as to whether beneficiaries basic needs were being met were based on various audit tests, one of which was the beneficiary interview. As such, we identified and reported several problems concerning this matter. For example, we identified and reported that 18 children had their benefits terminated because BCDSS did not complete and return SSA marriage questionnaires.

We also identified and reported that BCDSS did not return \$864,000 in potential conserved funds payable to 290 beneficiaries who were no longer in BCDSS' care. Consequently, we did not conclude that BCDSS ensured that all beneficiaries' basic needs were being met. For the 11 beneficiaries we interviewed, we found that their needs were generally being met. However, our interviews identified one beneficiary who had his benefits incorrectly terminated because BCDSS did not return the SSA marriage questionnaire.

Results of Review

- BCDSS Did Not Have Adequate Financial Accounting Controls

In the last paragraph on page 6, the error rates for both receipts and disbursements are estimated, not actual. Again, we are concerned that sample findings are applied to the entire universe of beneficiaries and are not clearly presented in terms of being projected error outcomes within a certain confidence interval. In addition, it is not clear whether the estimated annual receipts and disbursements (including error rates and erroneous payment amounts) relate solely to SSA funds or include other funding sources.

OIG Response

The report has been revised to clarify those findings drawn from a sample versus those from the entire population. The sample findings, projected errors, and confidence levels are also fully disclosed in Appendix A.

- BCDSS Needed Improved Safeguards Over Beneficiary Receipts

In the 1st paragraph on page 7, reference is made to the requirement under The Debt Collection Improvement Act of 1996 that Federal payments be made by direct deposit. However, our regulations also allow for the option to be exempted from this requirement. There is no requirement at present that organizational payees must have direct deposit, only that they are encouraged to do so. However, we recognize the benefits of direct deposit and will work with BCDSS to explore its use in their business processes.

OIG Response

We have revised the report to state that the requirement for direct deposit may be waived if it would impose a hardship on the individual.

- Monitoring And Reporting Changes In Beneficiary Circumstances

In the 2nd paragraph on page 8, there is another reference to estimated amounts, this time with regard to overpayments. There is an actual amount of \$574,375, identified as resulting from 141 changes in circumstances that were not reported. There is no explanation of the methodology used to compute an additional estimated amount of \$233,145, other than it was based on 95 estimated changes. It does not appear, from BCDSS' status report, that they were ever notified that estimated amounts were going to be factored into the findings. Each response included in their correction action plan specifically addresses actual overpayment findings, which in totality amounted to \$574,375.

OIG Response

The sample methodology is fully disclosed in Appendix A.

- **BCDSS Did Not Identify and Report Excess Resources**

Page 9 describes 13 cases in which living arrangement changes had not been reported to SSA. The payments made in these cases for the period reviewed totaled \$27,047, and are characterized as presumed overpayments. If the beneficiaries were entitled to these payments, they would be considered incorrect payments to BCDSS that should be refunded to the beneficiaries, not overpayments to be refunded to SSA. Until further development is completed, it is not appropriate to include this amount, nor the additional amount of \$260,192 (another estimate derived from projecting sample findings to the total population) listed at the bottom of page 9, in the report as an overpayment.

OIG Response

Any Social Security benefits paid to BCDSS that were spent during a period when the beneficiary was not in BCDSS' care are potential misuse cases. We have revised the report to state that these payments represent potential misuse of beneficiary funds.

- **BCDSS May Have Improperly Spent Beneficiary Conserved Funds**

In the 4th paragraph on page 11, BCDSS is cited as not maintaining beneficiary records and receipts and expenses for the past three years. Since the audit period only covered a one-year period (from September 1, 1999 – August 31, 2000), it is inconsistent to cite \$1.6 million as the amount of conserved funds when all other amounts cover one year only. To accurately reflect the period in question, this amount should be revised to reflect the amount of conserved funds during the audit period. However, we also note that OIG did not independently verify this figure but accepted and reported this amount as self-identified by BCDSS.

OIG Response

Government Auditing Standards require us to report all significant findings identified during our audit. See also our previous comment above concerning the accuracy of BCDSS' self-identified conserved funds balance.

- **BCDSS Did Not Return Beneficiary Conserved Funds**

The 1st paragraph on page 12 contains language which calls into question the reliability of the figures provided by BCDSS regarding conserved funds. It seems inconsistent to quote the figures BCDSS provided as evidence that monies are due to beneficiaries, then call the records "not reliable." As the report contains numerous instances of projecting sample findings to the universe, we question why this method wasn't used in this area of the audit, to substantiate this characterization and provide a balanced approach to the findings. It seems highly irregular, based on a review of other BCDSS records, to call into question the amount of conserved funds BCDSS has identified, without any validation.

OIG Response

See our previous response to Comment 4 (page B-3) above concerning BCDSS' self-identified conserved funds balance.

OTHER MATTERS

- SSA Monitoring and Oversight of BCDSS

In the first paragraph on page 15, the contention is made that the internal control weaknesses identified during the review “would have been detected if SSA had performed an on-site review of BCDSS.” Prior to June 2000, there was no requirement that such a review be conducted.

We would like to note that the agency has made significant improvements in our stewardship of the representative payee program. In a comprehensive Emergency Message, released to all FOs on June 1, 2000, a monitoring plan for certain categories of representative payees was instituted. This plan was designed specifically to monitor payee performance on a regular basis by, in part, conducting triennial site visits, random reviews and annual recertifications of fee-for-service organizations.

The agency also requires site visits to all categories of payees in response to so-called “trigger events,” such as beneficiary/third party complaints, adverse media publicity and reports of investigations by other governmental agencies. This enables us to begin a thorough examination of how a payee is performing its’ duties at the earliest possible point we become aware of a potential problem. Although this plan has only been in effect for the past year, we believe that these changes will improve our oversight of volume and fee-for-service payees.

We recognize that problems may be encountered in reviewing payee organizations that have not previously been subject to routine, ongoing scrutiny. We believe that the measures put in place last June have already begun to address areas where the agency was perceived as vulnerable in the oversight process.

- Rep Payee Reports

In the 3rd and 4th paragraphs on page 15, reference is made to three completed reports that contained questionable information, but reviews were not undertaken. The draft report does not indicate whether these forms were retrieved from the FO or had been referred to the FO for action that had yet to be initiated. It is not within the region’s control to initiate reviews of forms that are not returned to the FO, as the draft report suggests. In the absence of specific information, it is difficult to gauge if there was a breakdown in the established national process, and the type of correction action needed to prevent future occurrences.

OIG Response

It was not within the scope of our audit to determine why SSA did not take any action on the questionable reports. We included this information in our report to simply inform SSA of a potential problem that merits its attention.

The 1st paragraph on page 16 contains statements regarding retrieval of reports. Out of 26 reports requested, 15 were provided. There is no mention as to whether the system was checked to confirm whether reports were requested and received by SSA for these 26 beneficiaries. The draft report should better describe the circumstances leading OIG to conclude that BCDSS may not have properly submitted reports. If the contention is that 26 reports were actually submitted but SSA could not produce them, OIG should not imply that BCDSS did not submit them.

Again, the storage and retrieval of completed reports is handled by central units and not regionally.

OIG Response

We did not conclude that BCDSS may not have properly submitted the reports. We simply stated that, since SSA did not provide the reports, we could not determine whether BCDSS properly submitted them.

• **SSI Redeterminations**

In the 3rd paragraph on page 16, a conclusion is drawn that SSA should have detected that 18 individuals were collecting both SSI and Title IV-E. The draft report fails to mention whether the actual forms were reviewed by the audit team. The standard national process permits self-completion of the redetermination form, then it is returned to a central unit for review. Only those considered questionable are forwarded to the FO for action. We are unable to determine the basis for the suggested conclusion. If the idea is based on the presumption that a FO employee completing the form would be able to ascertain all relevant facts, it must be noted that fact-to-face interviews are only scheduled in the higher error profile cases, which is a minority percentage of completed redeterminations. Therefore, it is impossible for the redetermination process as it currently exists to achieve the suggested result. Absent an interface between these income systems to independently identify potential incorrect payments, the implication that SSA should have known that the recipients were receiving both payments via a self-reported mechanism has no validity.

OIG Response

We were simply noting that there are potential problems with a redetermination process that is supposed to identify these types of payment errors. It was not within the scope of our audit to determine whether the breakdown is within the design or in the implementation of the redetermination reviews.

• **Collection of Overpayments to BCDSS**

We would like to mention that BCDSS has remitted two separate checks to date to repay outstanding overpayments – one for \$82,225.78 on March 20, 2001 and \$62,253.55 on June 18, 2001.

Appendix C

OIG Contacts and Staff Acknowledgments

OIG Contact

Jim Klein, Audit Manager, General Management Audit Division (410) 965-9739

Acknowledgments

In addition to the person named above:

Randy Townsley, Auditor-in-Charge

Alan Carr, Senior Auditor

Linda Webster, Auditor

Kimberly Beauchamp, Writer-Editor

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Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

Office of Executive Operations

OEO supports the OIG by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.