



SOCIAL SECURITY

MEMORANDUM

Date: December 16, 2002

Refer To

To: Horace Dickerson
Regional Commissioner

From: Inspector General

Subject: Financial-Related Audit of the Harris County Guardianship Program – an Organizational Representative Payee for the Social Security Administration
(A-04-02-12020)

Attached is a copy of our final report. Our objectives were to determine whether the Harris County Guardianship Program (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.

Attachment

cc:
Fritz Streckewald
JoEllen Felice
Candace Skurnik

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FINANCIAL - RELATED AUDIT OF THE
HARRIS COUNTY GUARDIANSHIP
PROGRAM - AN ORGANIZATIONAL
REPRESENTATIVE PAYEE FOR THE
SOCIAL SECURITY ADMINISTRATION**

December 2002 A-04-02-12020

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

OBJECTIVES

Our objectives were to determine whether the Harris County Guardianship Program (HCGP) (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 beneficiaries 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 (Rep Payee) to receive and manage these beneficiaries'¹ 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.

HCGP serves as an organizational Rep Payee for SSA and provides care to incapacitated and indigent adults as ordered by the Harris County Probate Courts. HCGP employs approximately 24 caseworkers and 3 supervisors to monitor and manage beneficiaries' living arrangements, personal care, medical treatment, and other financial affairs.

RESULTS OF REVIEW

HCGP did not effectively safeguard the receipt and disbursement of SSA benefits or use and account for those benefits in accordance with SSA policies and procedures. During our audit period, HCGP received \$3,179,769 in SSA benefits on behalf of 571 beneficiaries. We project that HCGP did not use and account for as much as \$1,213,691 of these benefits in accordance with SSA's policies and procedures. Specifically, HCGP

- collected unapproved and/or excessive guardianship fees from SSA beneficiaries,
- did not properly monitor conserved fund balances resulting in overpayments to SSA beneficiaries,
- collected SSA benefits for beneficiaries who were missing or no longer in its care, and

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.

- misappropriated at least \$52,062 in SSA beneficiaries' monies through employee theft.

HCGP did not follow Harris County Probate Court's directions when providing care to two SSA beneficiaries. Also, we could not determine whether HCGP properly reported to SSA how benefits were used in all cases because SSA did not provide 12 of the 37 Rep Payee Reports we requested. These two issues are discussed in the Other Matters section of this report.

Some of the adverse conditions we identified at HCGP occurred because of a lack of oversight by SSA. In December 1999, SSA's Houston field office (FO) conducted an on-site review at HCGP. According to FO personnel, the site review was limited to a review of expenditures for five beneficiaries and was completed in less than 1 hour. The review did not identify any problems. However, FO personnel did not interview beneficiaries or assess their living conditions. If the FO had conducted a more thorough review, many of the adverse conditions identified in this report may have been discovered.

CONCLUSIONS AND RECOMMENDATIONS

Given the severity of the issues disclosed during our audit, we recommend that SSA evaluate HCGP to determine whether it should remain as a Rep Payee. If HCGP remains as a Rep Payee, SSA should increase its oversight of HCGP until its performance is improved and is in accordance with SSA instructions.

We also recommend, in part, that SSA:

- Review the appropriateness of all guardianship fees paid from SSA beneficiary funds since HCGP began serving as Rep Payee and instruct HCGP to return unapproved and improperly assessed fees to affected beneficiaries.
- Calculate and collect overpayments resulting from the 13 beneficiaries' accounts we identified with conserved funds balances exceeding \$2,000.
- Recover from HCGP \$9,096 in benefits received for the two beneficiaries who we identified were not under its care during our audit period.
- Direct HCGP to return the beneficiaries' funds that were misappropriated by its two former employees to the affected beneficiaries' accounts.

AGENCY COMMENTS

SSA agreed with most of our recommendations; however, it did not agree with Recommendation 2 to instruct HCGP to submit guardianship fee assessments to the SSA field office for review and approval. See Appendix A for the full text of SSA's comments to our draft report.

REP PAYEE COMMENTS

We requested HCGP to comment on the findings and recommendations related to its duties as a Rep Payee (Recommendations 2 through 10).

HCGP agreed with all of the recommendations except for Recommendation 3 for SSA to review the appropriateness of all the HCGP guardianship fees paid from SSA beneficiary funds. HCGP stated it did not believe Texas law limits guardianship fees to 5 percent of a beneficiary's income. See Appendix B for the full text of HCGP's comments.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

We concur with SSA's response that it will work to improve HCGP's performance through increased oversight. Moreover, SSA stated the responsible FO is committed to improving HCGP's performance and has already begun by changing its review process and providing additional training to HCGP's personnel. Regarding Recommendation 2, we maintain that SSA should instruct HCGP to submit guardianship fee assessments to the SSA FO for review and approval. We believe such a recommendation is warranted based on the pervasive problems found during our review of HCGP. SSA cannot evaluate the reasonableness of these fees without such a review.

Regarding Recommendation 3, we continue to have concerns about the appropriateness of the guardianship fees and whether they comply with Texas law. Therefore, SSA should review all relevant information concerning this matter and obtain legal opinions, as needed, to determine whether the guardianship fees are appropriate. SSA should then inform HCGP, and other Rep Payees in the State of Texas who may be affected, of its decision. Finally, SSA should develop policy instructions so SSA staff can determine whether assessed guardianship fees are excessive.

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Acronyms

FO	Field Office
HCGP	Harris County Guardianship Program
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
Rep Payee	Representative Payee
RPR	Representative Payee Report
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income

Introduction

OBJECTIVES

Our objectives were to determine whether the Harris County Guardianship Program (HCGP) (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 beneficiaries 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 (Rep Payee) to receive and manage these beneficiaries' and recipients' payments.¹ 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 interests.

REP PAYEE RESPONSIBILITIES

Rep Payees are responsible for using benefits to serve the best interests of the beneficiary. Their duties include

- using benefits to meet the beneficiary's current and foreseeable needs,
- conserving and investing benefits not needed to meet the individual'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* (RPR) accounting for how benefits were spent and invested.²

¹ 42 U.S.C. § 405(j) and § 1383(a)(2)(A).

² Ibid.; 20 C.F.R., part 404, subpart U, and part 416, subpart F.

About 7 million individuals have Rep Payees—approximately 4.4 million are OASDI beneficiaries, 2 million are SSI recipients, and 600,000 are entitled to both OASDI and SSI. The following chart reflects the types of Rep Payees and the number of individuals they serve as of November 2001.

Type of Rep Payee	Number of Rep Payees	Number of Individuals Served
<i>Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others</i>	4,949,000	6,160,000
<i>Organizational Payees: State Institutions, Local Governments and Others</i>	44,150	759,000
<i>Organizational Payees: Fee-for-Service</i>	850	81,000
TOTAL	4,994,000	7,000,000

HCGP (formerly Harris County Community Development – Guardianship) is an organizational Rep Payee in Houston, Texas. HCGP provides guardianship and related services to indigent adults (beneficiaries) deemed incapacitated by one of Harris County's four probate courts. HCGP manages and monitors the beneficiaries' personal care, such as placement in a residential facility and appropriate medical treatment. HCGP also manages the beneficiaries' financial affairs and, as guardian, makes other important decisions on their behalf.

HCGP employs approximately 24 caseworkers and 3 supervisors who act as surrogate decisionmakers for these beneficiaries. The assigned social worker acts as the chief monitor of caregiving and provides the beneficiary the overall support services typically provided by family members. Under HCGP guardianship authority, assigned social workers make personal decisions for the beneficiaries, including living arrangements, education and social activities, and authorize or withhold medical and other professional care, treatment and advice.

SCOPE AND METHODOLOGY

Our audit covered the period May 1, 2000 through April 30, 2001. During this period, HCGP served as Rep Payee for 571 beneficiaries who received \$3,179,769 in SSA benefits.³ From this population, we selected a random sample of 50 beneficiaries for substantive testing, which should emulate the entire HCGP population of beneficiaries receiving SSA benefits. To accomplish our objectives, we

- reviewed the Social Security Act, SSA's Program Operations Manual System (POMS), and other SSA rules and regulations pertaining to Rep Payees;

³ Included \$2,284,092 in title II and \$895,677 in title XVI benefits.

- contacted SSA regional office and field office (FO) staff to obtain background information about the Rep Payee's performance;
- obtained from SSA's Representative Payee System (RPS) and the Rep Payee a list of beneficiaries who were in the Rep Payee's care and received SSA funds from May 1, 2000 through April 30, 2001;
- compared and reconciled the RPS and the Rep Payee's listings to identify the population of SSA beneficiaries who were in the Rep Payee's care from May 1, 2000 through April 30, 2001;
- reviewed and tested the Rep Payee's internal controls over the receipt and disbursement of OASDI benefits and SSI payments;
- performed the following tests for each of the 50 individuals in our random sample;
 - compared and reconciled HCGP and SSA records of benefit amounts paid to each beneficiary,
 - reviewed the Rep Payee's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf, and
 - traced a sample of recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- projected errors in the population based on our sample (see Appendix C);
- interviewed 10 beneficiaries, personal guardians, or caregivers to determine whether the beneficiaries' basic needs were being met;
- received and reviewed 25 of the 37 RPRs requested to determine whether the Rep Payee properly reported how benefits were used; and
- reviewed audit reports and working papers prepared by the Harris County Auditor's Office on HCGP's internal control structure and the management of its imprest account.⁴

We performed our audit fieldwork in Houston, Texas, and Atlanta, Georgia, between July 2001 and April 2002. Our audit included an evaluation of HCGP's controls over the receipt and disbursement of SSA benefits. We did not determine the overall reliability of the computer-generated data from HCGP's accounting system or evaluate controls over that system. We conducted our audit in accordance with generally accepted government auditing standards.

⁴ An imprest account is an account containing a fixed amount of money for the purpose of controlling expenditures.

Results of Review

HCGP did not effectively safeguard the receipt and disbursement of SSA benefits and use and account for those benefits in accordance with SSA policies and procedures. We estimate that HCGP did not use and account for as much as \$1,213,691 of the \$3,179,769 in SSA benefits it received in accordance with SSA's policies and procedures and did not adequately safeguard the disbursement of those funds, as shown in the following table.

Finding	Number of Beneficiaries Affected	Amount
<i>Unapproved and/or excessive guardianship fees collected</i>	88	\$127,710
<i>Overpayments related to exceeding SSI \$2,000 resource limit</i>	13	\$66,402
<i>Overpayments related to missing beneficiaries</i>	2	\$9,096
<i>Beneficiary funds misappropriated by HCGP employees</i>	31	\$52,062
Projection	Projection of Expenditures Affected	Projected Amount
<i>Unsupported Expenditures</i>	4,019	\$1,213,691

We also found that HCGP did not follow Harris County Probate Court's directions when providing care to two SSA beneficiaries. Furthermore, we could not determine whether HCGP properly reported to SSA how benefits were used in all cases because SSA did not provide 12 of the 37 RPRs we requested. These two issues are discussed in the Other Matters section of this report.

Some of the adverse conditions we identified at HCGP occurred because of a lack of oversight by SSA. In December 1999, SSA's Houston FO conducted an on-site review at HCGP. According to FO personnel, the site review was limited to a review of expenditures for five beneficiaries and was completed in less than 1 hour. The review did not identify any problems. However, FO personnel did not interview beneficiaries or assess their living conditions. If the FO had conducted a more thorough review, many of the adverse conditions identified in this report may have been discovered. For example, a detailed review of more than five beneficiaries may have identified undocumented expenditures and excessive fund balances.

SSA Benefits Were Not Used and Accounted for in Accordance with SSA Policies and Procedures

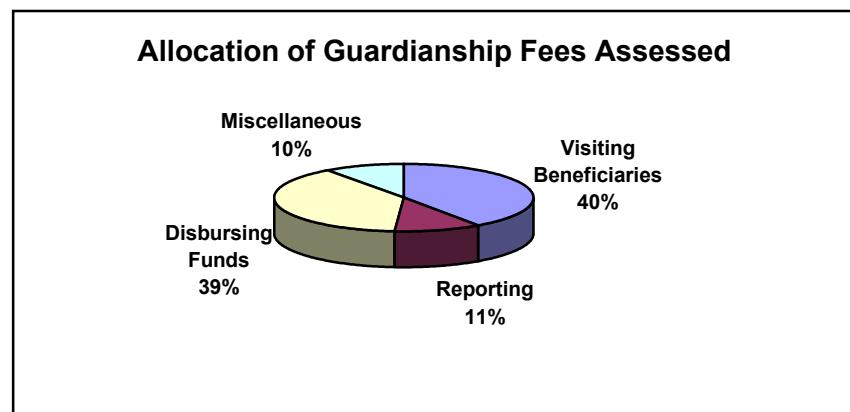
Contrary to Texas State law, HCGP collected \$127,710 in guardianship fees from beneficiary accounts comprised almost entirely of SSA benefits. As a result, HCGP augmented its operation budget with SSA benefit dollars. HCGP also neglected to report when SSI recipients accumulated conserved funds exceeding the \$2,000 resource limit. Additionally, contrary to SSA regulations, HCGP did not notify SSA when beneficiaries either left its care or were missing and continued to receive and accept SSA benefit payments.⁵

Guardianship Fees Improperly Assessed and Collected

In 1998, HCGP began collecting guardianship fees as an "innovative method"⁶ to supplement the guardianship program with non-county dollars. During our audit period, HCGP reported that 88 of 571 SSA beneficiaries were assessed guardianship fees of \$127,710 between May 1, 2000 and April 30, 2001.

HCGP assessed guardianship fees to cover ordinary case management costs for visiting beneficiaries, disbursing funds, and reporting as well as miscellaneous activities, such as telephone expenses.

HCGP charged costs related to establishing legal guardianship to beneficiaries' accounts at a rate of \$35 per hour. HCGP assessed guardianship fees to SSA beneficiaries receiving title II benefits, enrolled in Medicaid, and residing in a nursing home.



Of the 50 beneficiaries in our sample, we identified 6 beneficiaries who were collectively assessed \$10,960 in guardianship fees. We found that HCGP's assessment of guardianship fees for the six beneficiaries violated the Texas Probate Code, which limits guardianship fees to 5 percent of a beneficiary's gross income, excluding SSA and Veterans Administration benefits.⁷ Our analysis disclosed the following.

⁵ 20 C.F.R. 404.2055 and 20 C.F.R. 416.635.

⁶ <http://www.hchcda.co.harris.tx.us>

⁷ TX Probate Code § 665 (a), (h) (2001).

- The monthly income for four of the six beneficiaries was entirely from SSA funds so the \$8,400 in guardianship fees collected from those beneficiaries were improper.
- The two remaining beneficiaries were assessed \$2,560 in guardianship fees. Pursuant to § 665 of the Texas Probate Code, HCGP may have only been entitled to collect guardianship fees of \$181 for these two beneficiaries, collectively.

Conserved Funds Exceeded the \$2,000 Limit

Under the SSI program, a recipient is limited to \$2,000 in resources to remain eligible for benefit payments. If a recipient exceeds the resource limit, SSA, upon notification, suspends payment until the recipient's resources fall below \$2,000. It is the Rep Payee's duty to notify SSA if a recipient's resources exceed \$2,000 at the beginning of any benefit month.⁸

Of the 50 cases we sampled, 1 had conserved funds exceeding the \$2,000 SSI resource limit. While ineligible for SSI payments, this recipient received \$13,528 in SSI payments from November 1999 through January 2002 even though her average conserved funds balance exceeded \$2,000 for a 26-month period. During our interview with this recipient, we noted broken furniture and very few personal possessions. After we brought this to HCGP's attention, the conserved funds were used to purchase furniture, clothes, and to prepay burial expenses. Nevertheless, while the conserved fund balance exceeded \$2,000, this recipient was not entitled to SSI payments, and, as a result, was overpaid \$13,528.

We expanded our sample of conserved funds cases to include all 571 beneficiaries under HCGP's care. We identified 12 additional beneficiaries with accounts that exceeded the \$2,000 conserved funds limit. As a result, SSA overpaid the 13 SSI beneficiaries \$66,402 from May 1, 2000 through February 2002.⁹ The overpayments may not have occurred if HCGP had reported the conserved fund balances to SSA through personal contact or via the RPR. Our review of the only four RPRs SSA could provide disclosed that actual beginning account balances were not reported to SSA and therefore SSA could not identify conserved fund balances exceeding the \$2,000 limit. We were told by HCGP personnel that caseworkers were instructed to exclude balances carried over from prior years and to only show current period receipts and expenditures when filing the RPR. This practice had the affect of underreporting conserved fund balances to SSA.

⁸ POMS GN 00502.113 and SI 01110.003.

⁹ The audit period ended on April 30, 2001. However, the beneficiary's conserved funds balance continued to exceed the limit after that date. The overpayment reported was calculated through February 2002.

HCGP Continued to Receive SSA Benefits for Missing Beneficiaries

According to SSA regulations, Rep Payees must notify SSA of any event that affects the recipient's entitlement to benefits.¹⁰ This requirement includes instances when recipients are physically not under the Rep Payee's care.

We were unable to locate 2 of the 12 SSA beneficiaries selected for interview. One of the beneficiaries fled his personal care home and had been missing for about 3 months. We later learned that the beneficiary became intoxicated, was admitted to a local county hospital, and subsequently died. HCGP notified SSA of the beneficiary's death, and benefits were stopped. However, HCGP collected \$1,995 in benefits while this individual was missing, which constitutes a benefit overpayment.

The second beneficiary has been missing since November 2000. As of May 3, 2002, this beneficiary remained in current pay status with HCGP receiving about \$350 a month in title II benefit payments on the beneficiary's behalf. For 18 months, HCGP continued to collect the beneficiary's benefits but made no disbursements for room and board or personal expenses. HCGP claimed it notified SSA in December 2001 that this beneficiary was missing; however, neither HCGP nor SSA records support this claim.

SSA records indicated it was notified on May 13, 2002, after our discovery of this information, that the beneficiary was missing and benefits suspended, leaving an overpayment of \$7,101.

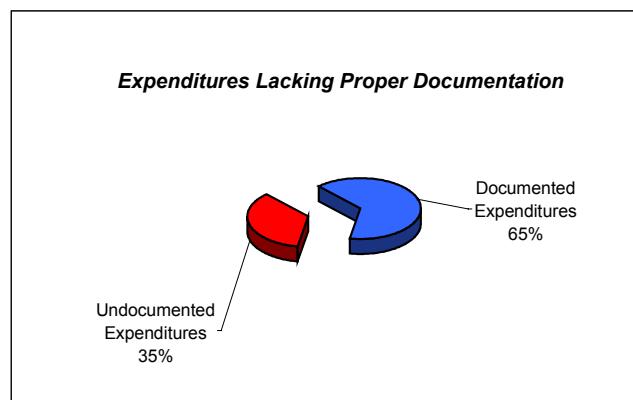
HCGP Did Not Effectively Safeguard the Disbursement of Social Security Benefits

HCGP did not adequately safeguard the disbursement of SSA funds. From our review of 50 beneficiary case files representing \$300,640 in expenditures, HCGP could not provide support for \$106,278 (35 percent).

Based on the population of 571 beneficiaries with total expenditures of \$3,551,151,

we project that undocumented transactions may exceed \$1,213,691.¹¹

Our audit of HCGP's receipts and disbursements disclosed that HCGP did not follow basic accounting practices that would protect beneficiary assets. For our sample of 50 beneficiaries, we found the following.



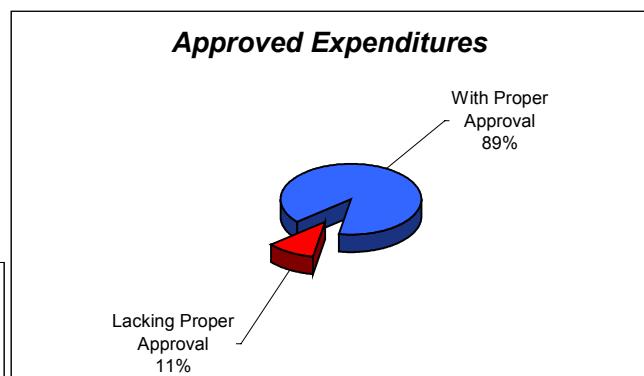
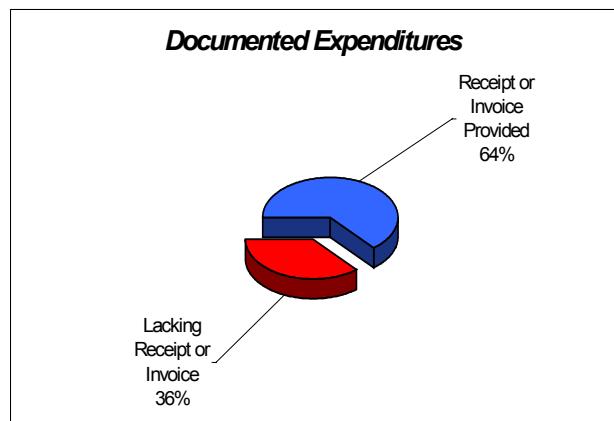
¹⁰ 20 C.F.R. 404.2055 and 20 C.F.R. 416.635.

¹¹ See Appendix C.

- HCGP's bank statements were not reconcilable with HCGP's accounting records.
- HCGP's Rep Payee bank account was improperly titled *Harris County Housing and Community Development Social Services Division Guardianship Program*. According to POMS, the title of an account containing funds for more than one SSA beneficiary must show that the funds belong to the beneficiaries and not just the Rep Payee.¹²

Also, HCGP's accounting duties were not adequately segregated, and the disbursement process lacked controls. Of our sample of 946 expenditures, 342 (36 percent) were not adequately documented with an invoice or receipt, and 61 (11 percent) were not approved by HCGP supervisory personnel.

With approximately 36 percent of all purchases undocumented, HCGP could not demonstrate to our satisfaction that SSA benefit disbursements were being properly safeguarded.



The likelihood of misappropriations was greatly increased by HCGP's failure to maintain an approved vendor list and allow payments to be made by HCGP personnel without proper oversight. In fact, as discussed below, two HCGP employees were convicted of misappropriating \$114,593 during our audit period.

- An HCGP caseworker pled guilty and was convicted on January 7, 2002 of tampering with Government records. The HCGP employee converted beneficiary funds, estimated at \$5,038, for his personal gain. The employee fraudulently paid a beneficiary's room and board through a fictitious vendor while the beneficiary actually lived in another location and purchased furniture for a beneficiary that was never received. The caseworker is paying \$300 per month restitution to HCGP.

¹² POMS GN 00603.010 and .020.

- Another HCGP caseworker was convicted on March 14, 2002 of theft by a public servant. The caseworker was found to have embezzled \$109,555 from 31 HCGP beneficiaries' accounts. The employee created fictitious companies through which he diverted beneficiary assets by charging their accounts for services not provided. HCGP had no procedures, including an approved vendor listing, to prevent the creation of fictitious vendors. The caseworker received a 4-year prison sentence. HCGP is seeking restitution through its private insurance company. Of the \$109,555, we found that \$52,062 was SSA beneficiaries' funds.

The Harris County Auditor's Office disclosed similar findings in its review of HCGP. A summary of its findings is presented in Appendix D.

SSA Should Improve Its Oversight of HCGP

SSA is responsible for tracking Rep Payee assignments and monitoring Rep Payee performance. SSA's principle means of tracking is through the RPS, and monitoring is performed through RPRs as well as on-site reviews of Rep Payees.

Rep Payee System Did Not Reflect HCGP Beneficiaries

The RPS information for HCGP was inaccurate. We identified 19 beneficiaries who were not accurately reflected on the RPS. Of the 19 beneficiaries, 18 were incorrectly listed in the RPS as being under HCGP's care. The remaining beneficiary was listed on the RPS as terminated but was actually receiving assistance from HCGP. We could not determine the causes for the RPS' errors and omissions. However, inaccurate and missing information on the RPS could result in SSA using erroneous or incomplete data in its oversight and evaluation of Rep Payees.

SSA FO Could Not Provide HCGP's Review Report

On-site reviews are used in the oversight and monitoring of Rep Payees and include interviews with the Rep Payee, reviews of accounting records for a sample of beneficiaries, and interviews with beneficiaries to determine whether their needs are being met and they are experiencing any problems. These reviews are beneficial to educating the organization, opening the lines of communication between the payee and the SSA servicing FO, taking a closer look at how the Rep Payee handles the beneficiaries' funds, and deterring and detecting fraud and abuse.

SSA's Houston FO stated that a review was conducted at HCGP in December 1999. However, the FO was unable to provide us a copy of the HCGP report or any working papers. The FO staff person who performed the review stated the HCGP visit was completed in less than 1 hour and was limited to selecting a sample of five beneficiaries and examining their supporting records. The reviewer did not interview the beneficiaries or visit the facilities to which they were assigned. No problems were identified during the visit because this minimal effort did not involve a detailed review of

expenditures or direct contact with beneficiaries. A complete review would have most likely identified many of the deficiencies disclosed in this report.

If SSA plans to retain HCGP as a Rep Payee for the 571 indigent beneficiaries entrusted to its care, SSA needs to improve its oversight of the Rep Payee through increased monitoring. The on-site visit would be the primary mechanism to assure that HCGP is operating in accordance with SSA's instructions.

Conclusions and Recommendations

Generally, HCGP did not meet its overall Rep Payee responsibilities. HCGP needs to make significant changes and improvements in several areas of its Rep Payee program. Therefore, we recommend that SSA

1. Determine whether HCGP should remain as a Rep Payee. If HCGP remains as a Rep Payee, SSA should increase its oversight of HCGP until its Rep Payee performance is improved and is in accordance with SSA instructions.
2. Instruct HCGP to submit guardianship fee assessments to the SSA FO for review and approval.
3. Review the appropriateness of all guardianship fees paid from SSA beneficiaries' funds since HCGP began serving as Rep Payee and instruct HCGP to return unapproved and/or excessive fees to affected beneficiaries.
4. Instruct HCGP to monitor beneficiaries' accounts to ensure that conserved funds do not exceed the \$2,000 limit.
5. Calculate and collect overpayments resulting from the 13 beneficiaries' accounts we identified that contain conserved fund balances exceeding \$2,000.
6. Instruct HCGP to transfer conserved fund balances for individuals no longer under its care to the successor Rep Payee or SSA.
7. Recover from HCGP \$9,096 in benefits received for the two beneficiaries we determined were not under its care during our audit period.
8. Provide guidance to HCGP regarding the appropriate level of documentation to account for the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures.
9. Instruct HCGP to title its bank account to reflect that the ownership of the deposits also belongs to SSA beneficiaries.
10. Direct HCGP to return the beneficiaries' funds that were misappropriated by its two former employees to the affected beneficiaries' accounts.
11. Update RPS to reflect the current beneficiaries under HCGP's care.

AGENCY COMMENTS

SSA agreed with most of our recommendations. SSA disagreed with Recommendation 2. SSA Region VI management responded that SSA policy does not require a Rep Payee to obtain SSA approval before charging guardianship fees; therefore, it would not require HCGP to submit its fees to the SSA FO for approval.

SSA provided a qualified agreement on Recommendation 3. SSA agreed to conduct a case-by-case review of excessive fees based on the outcome of a pending legal interpretation by HCGP of the Texas laws addressing guardianship fees. See Appendix A for the full text of SSA's comments.

REP PAYEE COMMENTS

We requested HCGP to comment on the findings and recommendations related to its duties as a Rep Payee (Recommendations 2 through 10). HCGP agreed with all of the recommendations except for Recommendation 3. HCGP stated it did not believe that Texas law limits guardianship fees to 5 percent of a guardian's income. See Appendix B for the full text of HCGP's comments.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

We concur with SSA's response that it will work to improve HCGP's performance through increased oversight. Moreover, SSA stated that the Houston Southeast FO is committed to improving HCGP's performance and has already begun by changing its review process and providing additional training to HCGP's personnel. We believe these steps should improve the Rep Payee's performance to an acceptable level.

Regarding Recommendation 2, we maintain that SSA should instruct HCGP to submit guardianship fee assessments to the SSA FO for review and approval. We believe such a recommendation is warranted based on the pervasive problems found during our review of HCGP. SSA cannot evaluate the reasonableness of these fees without such a review.

Regarding Recommendation 3, we continue to have concerns about the appropriateness of the guardianship fees and whether they comply with Texas law. Therefore, SSA should review all relevant information concerning this matter and obtain legal opinions, as needed, to determine whether the guardianship fees are appropriate. SSA should then inform HCGP, and other Rep Payees in the State of Texas who may be affected, of its decision. Finally, SSA should develop policy instructions so SSA staff can determine whether assessed guardianship fees are excessive.

Other Matters

Probate Court's Directions Were Not Followed

The Probate Court ordered HCGP to place five of the beneficiaries in our sample in a care facility licensed by the State of Texas. We determined that 2 of the 50 beneficiaries were actually housed in unlicensed facilities. HCGP personnel did not take the necessary steps to verify that facilities housing its beneficiaries were licensed. As a result, the individuals may not have been provided the level of care envisioned by the Court.

According to the Texas Department of Human Services (DHS), licensure of personal care facilities is required to “promote the public health, safety, and physical and mental well-being of the residents and to provide for the development, establishment, and enforcement of standards.” The licensing standards for personal care facilities contain the minimum standards a facility must meet. Licenses are address-specific meaning that each location must be licensed individually. The State license expires 12 months from the date issued and is not automatically renewed.

Personal care facilities are defined as establishments that furnish food and shelter for four or more persons who are unrelated to the owner. Staffs at these facilities provide varying degrees of assistance for everyday living. Bedrooms in personal care facilities must have no more than four beds (one person per bed) and must contain not less than 60 square feet per bed, or less than 240 square feet for a four-person bedroom. Furnishings must be maintained in good repair.

The Court had ordered HCGP to place one SSA beneficiary in a specific licensed facility. No other accommodations were authorized without a further Court order. The residential restriction was to remain in effect until January 18, 2002. In September 2001, we found the beneficiary living at a facility other than the one identified in the Court’s Letter of Guardianship. This facility violated Texas license and certification requirements because the facility housed more than four persons and shared services with a related licensed assisted living facility. As noted previously, licenses are address-specific and this location should have been licensed, but was not.

The HCGP beneficiary located at this facility carried the human immunodeficiency virus (HIV)¹³ with open sores and shared one shower, sink and toilet with two other men. State law dictates that facility residents may not have a disease that could endanger other residents. The other residents were apparently unaware the beneficiary had HIV. An HCGP supervisor explained that individuals carrying HIV are difficult to place because of their medical and financial condition. However, placing this individual in an illegal, unlicensed facility was contrary to the Court’s instructions, and there was no

¹³ HIV can be spread through contact with infected blood.

evidence in the file to show that the alternative arrangements were approved by the Court as directed in the Letter of Guardianship. During our audit period, the beneficiary never resided at the Court-ordered facility.

In the other case, the SSA beneficiary lived in an unlicensed facility from November 2000 to September 2001. For this particular beneficiary, the Court's Letter of Guardianship was silent on the beneficiary's placement in a licensed facility. However, we discussed this matter with the Probate Court Judge, who told us that HCGP was specifically instructed to place all the beneficiaries from his Court into only licensed facilities, regardless of whether the guardianship letter includes specific language to that effect.

In our sample of 50, 8 beneficiaries should have been placed in licensed facilities. Of the 8 beneficiaries, 5 were living in unlicensed facilities. Furthermore, we found that the Court orders for these beneficiaries did not stipulate housing in licensed facilities. When we discussed this with the Probate Court Judge, he stated that he was under the assumption that HCGP understood that these beneficiaries were to be housed in licensed facilities. We found that one of the five beneficiaries lived in one room with five other men. Twelve residents lived in this facility. Since the facility housed more than four persons, it needed to be licensed under Texas law. Without a license, the facility was operating illegally. Apparently, HCGP either did not verify or ignored the fact that the facility was not licensed with the State. Shortly after our visit in September 2001, the facility was abandoned, and the residents were relocated to other facilities.

HCGP needs to ensure that all its beneficiaries are provided the specific level of care dictated by the Texas probate courts.

Representative Payee Reports

To determine whether HCGP properly completed and submitted RPRs, we requested the most recently completed RPRs from SSA for 37 of the Rep Payee's beneficiaries.¹⁴ SSA provided only 25 RPRs. Because SSA did not provide all the RPRs requested, we could not independently confirm that HCGP met its reporting responsibilities. Also, for the 12 RPRs SSA did not provide, we could not determine whether HCGP properly submitted the reports. In addition, we were unable to determine whether the reason some RPRs were not provided was because they could not be located or because they were just never submitted.

Of the 25 RPRs reviewed, two RPRs matched the specific dates of our audit period. One of these two reports did not match the internal accounting records of HCGP. For example, the RPR showed \$5,560 in expenditures for food and housing and \$656 for other expenses such as clothing, education, medical and dental expenses and personal items. However, HCGP internal records indicate only \$5,090 was spent for food and

¹⁴ Since RPRs are filed annually beginning 12 months after initial assignment to the Rep Payee, only 37 beneficiaries out of our sample of 50 would have required a RPR filing during the audit period.

housing and \$340 was spent for other items. Only one of the two RPRs appropriately reported conserved savings from prior years.

Of the 25 RPRs reviewed, we determined most did not match HCGP's internal records. In three cases, the amount HCGP claimed to have spent did not match the amount of benefits paid. Twenty-three of the 25 RPRs were for different reporting periods that precluded us from determining the account balances for the beneficiaries. None of the 23 RPRs correctly indicated the amount of savings, from prior years that had accrued for the beneficiary. In fact, four of the beneficiaries' accounts had been depleted until the beneficiary's account balance was negative. For example, HCGP provided information to SSA that one beneficiary had \$1,757 saved but the beneficiary's account balance at the end of the RPR reporting period was \$6,051. In another case, the beneficiary's ending account balance was \$3,355 but HCGP reported the beneficiary had \$0 savings at the end of the RPR reporting period. Both of these beneficiaries were receiving SSI only. Their large account balances should have been spent down because they were above the \$2,000 resource limit, making the beneficiaries ineligible for SSI benefits.

Appendices

Appendix A

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: October 11, 2002

To: James G. Huse, Jr.
Inspector General

From: Horace L. Dickerson, Jr.
Regional Commissioner
Dallas

Subject: Financial-Related Audit of the Harris County Guardianship Program (A-04-02-12020)—
INFORMATION

We appreciate your very thorough review and report on the Harris County Guardianship Program (HCGP), a large organizational payee in Houston, Texas. The Guardianship Program was originally created in 1975 by the Commissioners Court as part of the Harris County Community Development Agency. In 1994, this agency merged with the Harris County Housing Authority and in 1997 with the Harris County Department of Social Services. HCGP serves as public guardian for Harris County's wards pursuant to Section 669 of the Texas Probate Code. HCGP is currently guardian for over 1,000 wards. At the time of the review, HCGP served as payee for 571 Social Security (SS) or Supplemental Security Income (SSI) beneficiaries and recipients.

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATIONS (SSA) REGION VI ON THE FINANCIAL-RELATED ADUIT OF THE HARRIS COUNTY GUARDIANSHIP PROGRAM (A-04-02-12020)

The OIG report cites the following findings and provides recommendations for corrective action. Our comments follow each recommendation.

Finding—HCGP did not effectively safeguard the receipt and disbursement of SSA benefits and use and account for those benefits in accordance with SSA policies and procedures.

Recommendations— The report contained three recommendations related to this finding:

1. Evaluate whether HCGP should remain as a representative payee.
2. If HCGP remains as a rep payee, SSA should increase its oversight of HCGP until its performance as a payee is improved and is in accordance with SSA instructions.
3. Provide guidance to HCGP regarding the appropriate level of documentation to account for the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures.

Response—We agree with the findings and recommendations.

We believe as long as HCGP is the court appointed public guardian for Harris County wards (many of whom are our beneficiaries and recipients) that it is in the best interest of our beneficiaries and recipients for SSA to work with them to improve their performance as a representative payee to an acceptable level. The meetings and contacts we have had with HCGP as a result of OIG's audit indicate eagerness by managers and employees to improve their performance as a representative payee.

We believe it is important to note the Harris County Auditor's Office had performed earlier financial audits of HCGP that identified internal financial management problems and that HCGP was moving toward corrective action in many respects prior to the initiation of OIG's financial audit in July 2001. Department of Social Services management officials uncovered the malfeasance of the two HCGP employees who were subsequently convicted.

OIG's audit uncovered significant and serious deficiencies in the performance of HCGP's duties and responsibilities as a payee. We agree an increase in its oversight is warranted until the payee's performance improves and is in accordance with SSA instructions. The Houston Southeast District Office (DO) is committed to work diligently with this payee to improve their level of performance. Activity in this regard has already begun.

- On August 8, 2002, the District Manager issued instructions to her staff that all actions involving this payee required management review prior to being processed. These internal reviews will continue until the payee can be certified as performing its duties adequately and appropriately.
- On September 12, 2002 and again on September 19, 2002, the DO staff conducted training for 40 HCGP managers and employees on their payee duties and responsibilities. This training covered SSI eligibility requirements, living arrangements, income, monitoring resources limits, and

reporting responsibilities for both SS and SSI beneficiaries and recipients. In addition, completion of the SSA-623, including reporting of conserved funds was covered.

- Maintaining proper records of receipts and disbursements has been discussed with the payee and the payee has informed us they have made appropriate changes to its accounting systems and record retention policies.
- We have formed a special cadre that is undertaking an intensive review of the payee's records for all SSI beneficiaries to determine whether additional overpayments or other irregularities are involved. This review will include months outside of the audit's review period.
- The Dallas Region's Representative Payee Cadre will conduct a random review of 15 beneficiaries in the first quarter of CY 2003. A full review will be scheduled for one year later unless problems are discovered in the random review. If problems are discovered, the full review will be undertaken immediately. This activity will allow continuous evaluation of the payee's performance.

Findings— The report contained three findings related to guardianship fees:

1. HCGP charged fees to SS beneficiaries and SSI recipients in violation of the Texas Probate code;
2. HCGP did not secure SSA's approval to assess guardianship fees; and
3. HCGP charged fees in excess of the amount allowed by the Texas Probate Code and POMS 00602.040.

Recommendations—The report contains two recommendations regarding guardianship fees:

1. Instruct HCGP to submit guardianship fee assessments to the SSA field office for review and approval.
2. Review the appropriateness of all guardianship fees paid from SSA beneficiary funds since HCGP began serving as Rep Payee and instruct HCGP to return unapproved fees to affected beneficiaries.

Response— We do not agree that the payee was required to have consulted with SSA before charging a guardianship fee. OIG cited POMS GN 00602.040 as the basis for the first finding. We consulted with the Office of Benefit Programs, Representative Payee Staff, and they concurred that the intent and focus of this section of POMS is to provide instructions for evaluating whether assessed guardianship fees are excessive. However, there is no POMS instruction requiring a payee guardian to secure SSA's approval prior to charging a guardianship fee.

With regard to the second recommendation, it is our understanding that HCGP officials disagree with OIG's interpretation on the Code. We will leave this issue to the payee to dispute.

However, the DO will proceed to make an actual case by case determination of excess fees depending on how the legal issue of whether fees were charged in violation of the Texas Probate Code is resolved. If no fees should have been charged, all fees charged will have to be remitted. If fees are allowed under the Code, we will make the determination, considering both the Texas Probate

Code and the guidelines in POMS, as to whether the fees were excessive. Some cases may require referral to the Regional Office of General Counsel.

Finding—HCGP did not properly monitor conserved fund balances resulting in overpayments to SSA beneficiaries.

Recommendations—The report contains two recommendations for this finding:

1. Instruct HCGP to monitor beneficiaries' accounts to ensure that conserved funds do not exceed the \$2,000 limit, and
2. Calculate and collect overpayments resulting from the 13 beneficiaries' accounts we identified that contain conserved funds balances exceeding \$2,000.

Response—We agree with this finding and the recommendations.

The DO provided training to HCGP on this issue. Further, HCGP has instituted monitoring processes in their system to alert the caseworker before an individual account exceeds \$2,000.

We are working with the payee to adjudicate the overpayments OIG discovered for the 13 sampled individuals whose accounts were over \$2,000. OIG provided the list of overpaid beneficiaries to the local office on August 27, 2002. We have formed a cadre to work with HCGP to review as quickly as possible the financial records of all remaining beneficiaries and appropriately adjudicate any overpayments found.

Finding—HCGP collected SSA benefits for beneficiaries who were missing or no longer in its care.

Recommendations—The report contains two recommendations for this finding:

1. Instruct HCGP to transfer conserved fund balances for individuals no longer under its care to the successor Rep Payee or SSA.
2. Recover from HCGP \$9,096 in benefits received for the two beneficiaries we determined were not under its care during our audit period.

Response—We agree with the findings and recommendations.

Please note that per POMS GN 00603.055A, Transfer of Conserved Funds, a representative payee who has conserved or invested funds for a beneficiary, but is no longer serving as payee for the beneficiary, must return the funds to SSA for re-issuance [our underscore] to either the successor payee or to the beneficiary in direct payment.

The DO has provided this instruction to the payee during the training sessions. The payee has also been instructed to report when a beneficiary's whereabouts are unknown for 10 days.

The DO will proceed to recover the funds for the beneficiary who is still alive and ensure that the beneficiary receives them. For the beneficiary who is deceased, to the extent the benefits were payable, we will instruct the payee to dispose of those funds pursuant to Texas State intestacy laws.

Finding—HCGP misappropriated at least \$52,062 in SSA beneficiaries’ monies through employee theft.

Recommendation—Direct HCGP to return the beneficiary funds misappropriated by its two former employees to the affected beneficiaries’ accounts.

Response—We agree with the intent of the finding and the recommendation and will work with the payee to properly credit any beneficiary whose funds were misappropriated.

Finding—HCGP’s collective bank account was improperly titled *Harris County Housing and Community Development Social Services Division Guardianship Program*. According to POMS, the title of an account containing funds for more than one SSA beneficiary must show that the funds belong to the beneficiaries and not just the Rep Payee.

Recommendation—Instruct HCGP to title its bank account to reflect that the ownership of the deposits also belongs to SSA beneficiaries.

Response—We agree and in a letter to HCGP dated September 5, 2002, the District Manager instructed the payee on the correct way to title a beneficiary account.

Finding—The Representative Payee System (RPS) lists 18 beneficiaries for HCGP who were not under the payee’s care and 1 beneficiary as terminated on RPS but actually receiving benefits.

Recommendation—Update RPS to reflect the current beneficiaries under HCGP’s care.

Response—The DO will work to ensure that RPS properly reflects the beneficiaries for whom HCGP is payee.

In another issue raised by OIG’s report, OIG cited SSA for failing to conduct “a more thorough review” when an “onsite review” was conducted of the payee in December 1999.

The December 1999 review cited by OIG was not an onsite review. It was a review in response to the Southeastern Program Service Center’s request to update the collective bank account precedent file for HCGP. POMS GN 00603.020 requires that these precedents be updated every 3 years. POMS suggests that the DO review one beneficiary account over a period of one year. The DO exceeded that suggestion by reviewing five beneficiary accounts. There was no requirement to go beyond a review of the beneficiary accounts if nothing irregular was found. We also believe the collective bank account was appropriately titled at the time of that review and subsequently changed as a result of the fiscal audits conducted by the county.

Therefore, the DO was not required to do a more in-depth review. It should be noted that SSA’s instructions for conducting onsite reviews of large organizational payees were not issued until June 2000.

Other findings and recommendations in the report are more appropriately addressed by the payee. However, in our future monitoring of this payee's performance, all areas of deficiency cited by OIG will be reviewed. If you would like to discuss this, please call me. If your staff has questions, please have them call Jim Matthews at (214) 767-2808 in Management and Operations Support.

Appendix B

Representative Payee Comments



**HARRIS COUNTY
OFFICE OF COMMUNITY SERVICES**

8410 Lantern Point • Houston, Texas 77054
Telephone Number (713) 747-0132 Fax (713) 578-2190

Xavier Lemond
Director

October 21, 2002

Mr. Steven L. Schaeffer
Assistant Inspector General for Audit
Social Security Administration
6401 Security Blvd. 4-L-1 OPS
Baltimore, MD 21235-0001

**Re: Responses to Draft Report of the Financial –Related Audit of the Harris
County Guardianship Program - An Organizational Representative Payee
for the Social Security Administration A-04-02-12020**

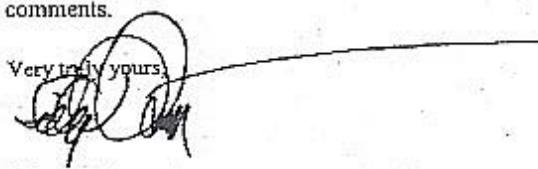
Dear Mr. Schaeffer:

Enclosed is the Harris County Guardianship Program's response to the findings and recommendations contained in the draft audit report dated September 19, 2002.

We appreciate having the opportunity to respond to the comments and recommendations contained in the report and feel that this exercise will strengthen our relationship and enable us to provide a higher level of service and support to our mutual clients.

Please feel free to contact me at 713-696-7904 regarding any questions you may have about our comments.

Very truly yours,


Sidney J. Braquet
Deputy Director

SJB:lh:gm

enclosure

cc: Mr. R.L. Raycraft, Management Services
Mr. Xavier Lemond, Community Services

SSAudit Response

Community Assistance - 9418 Jensen Drive • Houston, Texas 77093 • 713-696-7900 • Fax: 713-697-3182
Guardianship Program - 8410 Lantern Point • Houston, Texas 77054 • 713-696-7975 • Fax: 713-578-2297
Veterans Service - 1310 Prairie, Suite 1000 • Houston, Texas 77002 • 713-755-5243 • Fax: 713-755-5244

HCGP RESPONSES TO OIG'S CONCLUSIONS AND RECOMMENDATIONS

- 1. Instruct HCGP to submit guardianship fee assessments to the SSA FO for review and approval.**

HCGP will work with the SSA local office on this recommendation. HCGP will submit the guardianship fee assessments to the SSA filed office for review, however, after consulting with SSA and the Harris County Attorney's office, and based on Texas Administrative Code, Title 40 15.502 (f), the authority of the Probate Judge to set a guardianship fee arises solely from the Texas Administrative Code, which has no 5% limit, nor any prior approval requirement.

- 2. Review the appropriateness of all guardianship fees paid from SSA beneficiaries' funds since HCGP began serving as Rep Payee and instruct HCGP to return unapproved and excessive fees to affected beneficiaries.**

After reviewing these matters with both OIG and the SSA local and regional offices (as indicated earlier), HCGP hopes to come to a consensus. However, HCGP respectfully disagrees with OIG's finding that these fees or unapproved or that they are excessive. Texas Probate Code Section 665(b) provides that all requests for guardianship fees be reviewed and approved by the appropriate Probate Courts. Thus, there has been a finding by the respective court that the guardianship fees requested are reasonable. SSA can contest the amount in court through its regional chief counsel.

- 3. Instruct HCGP to monitor beneficiaries' accounts to ensure that conserved funds do not exceed the \$2,000 limit.**

HCGP has begun this process. In July of 2002, through the Harris County Central Technology Center, HCGP instituted the preparation of a monthly report that flags all conserved accounts that exceed \$1,700. This enables the case managers and supervisors the opportunity to develop an "Action Plan" to spend down the funds and better monitor the balances and insure that they remain under \$2,000.

4. Calculate and collect overpayments resulting from the 13 beneficiaries' accounts we identified that contain conserved fund balances exceeding \$2,000.

After being provided with the identities of these wards by the SSA local office, HCGP will further review the status of the accounts and take appropriate action to resolve these issues.

5. Instruct HCGP to transfer conserved funds balances for individuals no longer under its care to the successor Representative Payee or SSA.

HCGP would like to discuss with SSA personnel options for when a missing ward should be reported and benefits cut off and/or restored, given the fact that there is such a delay between the time a ward is reported missing and payments cut off and a concomitant lag in when benefits can be returned.

HCGP will promptly review ward cases to determine those no longer under its care and will take steps to transfer to the successor Rep payee or SSA, as appropriate, the funds remaining, after probate court approval.

6. Recover from HCGP \$9,096 in benefits received for the two beneficiaries we determined were not under its care during our audit period.

This has already been accomplished. On July 2, 2002 HCGP returned benefits in the amount of \$9,777.70 for one beneficiary identified in the audit report, and HCGP is prepared to return benefits to the other beneficiary upon the pending notification by SSA of the amount due.

7. Provide guidance to HCGP regarding the appropriate level of documentation to account for the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures.

With the generous offer of the SSA local office, HCGP is happy to accept more guidance on this and other payee duties. In addition, HCGP hired a Purchasing Agent in August 2001 and established policies and procedures to complement SSA guidelines to insure that appropriate documentation is prepared to account for all disbursements of SSA funds to assure they benefit the wards served. HCGP is happy to work with the SSA office on this and other matters of concern for the benefit of the beneficiaries and the two programs

8. Instruct HCGP to title its bank account to reflect that the ownership of the deposits also belongs to SSA beneficiaries.

HCGP changed the names on bank accounts August 13, 2002, in accordance with SSA guidelines. The bank accounts are now styled “Harris County Guardianship Program Rep Payee SS and SSI Benes and Other Beneficiaries.” This indicates that the funds do not belong to HCGP but to the SSA beneficiaries.

9. Direct HCGP to return the beneficiaries’ funds that were misappropriated by its two former employees to the affected beneficiaries accounts.

Prior to the exit conference and in an effort to protect the wards’ accounts affected, HCGP began this process last year. In one case the former employee was imprisoned. In this matter, a claim was made under a theft insurance policy for the misappropriated funds and the claim has been approved. The funds are being processed for receipt by the county. In the other case, restitution by the former employee is being paid as a condition of his probation. Once fully received, the funds will be reallocated to the appropriate ward accounts.

Appendix C

Sampling Methodology and Results

To complete our objective, we obtained a list from Harris County Guardianship Program (HCGP) of all individuals for whom HCGP was serving as a Rep Payee at any time between May 1, 2000 and April 30, 2001. From this list of 571 beneficiaries, we selected a random sample of 50 cases for detailed review. We believe our findings related to these 50 individuals are representative of the total population of 571. The results of our review of the sample cases are shown in the table below. Our projections were made at the 90-percent confidence level.

Sample Results			
Population size	571 cases	SSA Receipts	\$3,179,769
		Total Disbursements	\$3,551,151
		Total Number of Disbursements	11,118
Sample size	50 cases	SSA Receipts	\$256,036
		Total Disbursements	\$300,640
		Total Number of Disbursements	946
Attributes			
Cases with unsupported expenditures	30 cases		\$106,278
Attribute Projection			
Sampled expenditures not supported			342
Projection of expenditures not supported in population			4,019
Projection lower limit			3,743
Projection upper limit			4,302
Variable Projection			
Sampled expenditures not supported			\$106,278
Projection of unsupported expenditures			\$1,213,691
Projection lower limit			\$784,368
Projection upper limit			\$1,643,014

Appendix D

Harris County Auditor's Report on Harris County Guardianship Program

Before our audit, the Harris County Auditor reviewed the Social Service Division's bank accounts, including the Harris County Guardianship Program (HCGP) account because of significant overdraft charges of \$8,500. The overdrafts occurred because reimbursement requests for the general assistance bank account were not submitted timely. Instead, HCGP improperly redirected \$315,000 in guardianship income that included SSA benefits from the guardianship account to the general assistance account to cover cash shortages. The amounts were replenished; however, in his July 6, 2001 report, the County Auditor concluded that HCGP's controls over receiving and depositing guardianship income, processing disbursements, and maintaining the beneficiaries' accounting records did not provide the necessary internal controls to safeguard assets. Specifically, HCGP did not properly reconcile its bank account balance with the accounting system. The auditor reported that the bank account balance exceeded the County's ledger balance by \$71,000.

The auditors also found that caseworker duties were not properly segregated. Caseworkers could request, purchase, receive and distribute goods. In addition, supporting documentation for purchases was not always reviewed by management and maintained in the beneficiaries' file. The County Auditor concluded that, overall, there was a general lack of management oversight and HCGP's controls over receipts and disbursements were characterized as inadequate. In particular, the purchasing process was seen as inefficient and lacking necessary controls to protect beneficiaries' funds from misuse.

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

Paul Davila, Acting Director, Southern Audit Division, (214) 767-6317

Frank Nagy, Deputy Director, Atlanta Field Office, (404) 562-5552

Acknowledgments

In addition to the persons named above:

Mark Bailey, Deputy Director

Catherine Burnside, Senior Auditor

David McGhee, Auditor

Valerie Ledbetter, Auditor

Kim Beauchamp, Writer-Editor

For additional copies of this report, please visit our web site at <http://www.ssa.gov/oig> or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-04-02-12020.

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Ranking Minority Member, Senate Special Committee on Aging

President, National Council of Social Security Management Associations,
Incorporated

Treasurer, National Council of Social Security Management Associations,
Incorporated

Social Security Advisory Board

AFGE General Committee

President, Federal Managers Association

Regional Public Affairs Officer

Harris County Guardianship Program, Representative Program

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, rather than detecting problems after they occur.

Office of Executive Operations

The Office of Executive Operations (OEO) supports the Office of the Inspector General (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.