



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** November 19, 2003

**Refer To:**

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

**From:** Assistant Inspector General  
for Audit

**Subject:** San Francisco Department of Human Services – An Organizational Representative Payee for the Social Security Administration (A-09-03-13011)

Attached is a copy of our final report. The objectives of our review were to determine whether the San Francisco Department of Human 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 at (410) 965-9700.



Steven L. Schaeffer

Steven L. Schaeffer

Attachment

cc:  
Fritz Streckewald  
JoEllen Felice  
Candace Skurnik

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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

**November 2003**

**A-09-03-13011**

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**AUDIT REPORT**

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## **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*

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## **OBJECTIVE**

Our objectives were to determine whether the San Francisco Department of Human Services (SFDHS) (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 youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments.<sup>1</sup> A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests. Representative payees are responsible for using benefits in the beneficiary's best interests.

SFDHS is a social services agency for the City and County of San Francisco. From May 1, 2001 to April 30, 2002, SFDHS received \$782,687 in Social Security benefits on behalf of 145 beneficiaries, including 124 children and 21 adults.

## **RESULTS OF REVIEW**

Generally, SFDHS (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used in accordance with SSA's policies and procedures. However, we identified seven areas where SFDHS could improve its performance as a representative payee. Specifically, SFDHS did not always report Title IV-E payments, notify SSA of changes in custody, identify excess resources, cancel unnegotiated checks, conserve excess funds, maintain individual accounts, and properly title the bank account for its beneficiaries (see Appendix A for a summary of monetary results).

In addition, we identified one area where SSA needs to improve its monitoring of representative payees. Specifically, SSA did not update its Representative Payee System to accurately reflect the beneficiaries in SFDHS' care.

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<sup>1</sup> 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.

## **RECOMMENDATIONS**

During our audit, SFDHS refunded \$143,520 in overpayments to SSA. We recommend that SSA direct SFDHS to refund an additional \$15,364 in overpayments and \$12,733 in beneficiary funds. We also recommend that SSA direct SFDHS to establish \$8,214 in conserved funds, amend the title of its bank account for child beneficiaries, and develop procedures to ensure the Social Security benefits are properly accounted for. In addition, we recommend that SSA update its Representative Payee System to include all beneficiaries for whom SFDHS was selected as representative payee.

## **AGENCY COMMENTS**

SSA agreed with all of our recommendations. The full text of SSA's comments is included in Appendix B.

## **REPRESENTATIVE PAYEE COMMENTS**

SFDHS agreed with all of our recommendations. The full text of SFDHS' comments is included in Appendix C.

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## *Acronyms*

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CFR	Code of Federal Regulations
FFA	Foster Family Agency
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RPR	Representative Payee Report
RPS	Representative Payee System
SFDHS	San Francisco Department of Human Services
SSA	Social Security Administration
SSI	Supplemental Security Income
USC	United States Code

# *Introduction*

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## **OBJECTIVE**

Our objectives were to determine whether the San Francisco Department of Human Services (SFDHS) (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 youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' and recipients' benefit payments.<sup>2</sup> A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when representative payments would serve the individual's interest.

Representative payees are responsible for using benefits to serve the beneficiary's best interests. Their duties include:<sup>3</sup>

- 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 representative payee; and
- providing SSA an annual *Representative Payee Report* (RPR) accounting for how benefits were spent and invested.

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<sup>2</sup> 42 U.S.C. §§ 405(j) and 1383(a)(2) (2003).

<sup>3</sup> See *id.*; 20 C.F.R. Part 404, Subpart U, and Part 416, Subpart F (2003).

About 7.6 million individuals have representative payees—approximately 4.5 million are OASDI beneficiaries, 2.3 million are SSI recipients, and 800,000 are entitled to both OASDI and SSI. The following chart reflects the types of representative payees and the number of individuals they serve.

Type of Representative Payee	Number of Representative Payees	Number of Individuals Served
Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others	5,333,200	6,685,100
Organizational Payees: State Institutions, Local Governments, and Others	41,500	807,400
Organizational Payees: Fee-for-Service	900	104,200
Total	5,375,600	7,596,700

Source: Master Representative Payee File as of January 2003.

SFDHS is a social services agency for the City and County of San Francisco. SFDHS has operated as an organizational representative payee for individuals who received payments under the OASDI and SSI programs for about 25 years. From May 1, 2001 to April 30, 2002, SFDHS received \$782,687 in Social Security benefits on behalf of 145 beneficiaries, including 124 children and 21 adults. A breakdown of these payments is depicted in the following chart. Effective December 2002, SFDHS discontinued its services as representative payee for adult beneficiaries.

Type of Beneficiary	Social Security Benefits			Number of Beneficiaries
	OASDI	SSI	Total	
Children	\$253,666	\$363,893	\$617,559	124
Adults	64,120	101,008	165,128	21
Total	\$317,786	\$464,901	\$782,687	145

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

## **SCOPE AND METHODOLOGY**

Our audit covered the period of May 1, 2001 through April 30, 2002. To accomplish our objectives, we:

- Reviewed the Social Security Act and SSA policies and procedures pertaining to representative payees.
- Contacted SSA regional office and field office staffs to obtain background information about the representative payee's performance.
- Obtained from SSA's Representative Payee System (RPS) a list of individuals who were in the representative payee's care as of April 30, 2002 or who left the representative payee's care after May 1, 2001.
- Obtained from the representative payee a list of individuals who were in its care and had received SSA funds as of April 30, 2002 or who left its care after May 1, 2001.
- Compared and reconciled the RPS list to the representative payee's list to identify the population of SSA beneficiaries who were in the representative payee's care from May 1, 2001 to April 30, 2002.
- Reviewed the representative payee's internal controls over the receipt and disbursement of OASDI benefits and SSI payments.
- Performed the following tests for all beneficiaries.
  - Compared and reconciled benefit amounts received according to the representative payee's records to benefit amounts paid according to SSA's records.
  - Reviewed the representative payee's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf.
- Traced a sample of recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- Reviewed a sample of RPRs to determine whether the representative payee properly reported to SSA how benefits were used.

We performed our field work in Richmond and San Francisco, California, between August 2002 and April 2003. We conducted our audit in accordance with generally accepted government auditing standards.

# **Results of Review**

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Our audit disclosed that SFDHS (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used in accordance with SSA's policies and procedures. However, we identified seven areas where SFDHS could improve its performance as a representative payee. Specifically, SFDHS did not always report Title IV-E payments, notify SSA of changes in custody, identify excess resources, cancel unnegotiated checks, conserve excess funds, maintain individual accounts, and properly title the bank account for its beneficiaries (see Appendix A for a summary of monetary results).

In addition, we identified one area where SSA needs to improve its monitoring of representative payees. Specifically, SSA did not update RPS to accurately reflect the beneficiaries in SFDHS' care.

## **Concurrent SSI and Title IV-E Payments Not Reported**

SFDHS did not ensure SSI recipients who received Title IV-E payments were reported to SSA in a timely manner. Although SFDHS received current and retroactive Title IV-E payments on behalf of children in foster care, it did not always notify SSA to determine whether such payments affected continuing entitlement to SSI payments. As a result, seven recipients received \$94,097 in SSI payments to which they were not entitled.

SSA's procedures require that representative payees report any changes to SSA that may affect the individual's entitlement or benefit payment amount.<sup>4</sup> In addition, SSA's *Guide for Organizational Representative Payees* requires that such payees report any changes or events that could affect the beneficiary's eligibility for benefits or payment amount, such as changes in income (for example, receipt of other Federal benefits).<sup>5</sup>

The Foster Care and Adoption Assistance Program, authorized under Title IV-E of the Social Security Act,<sup>6</sup> helps States provide care for children who need placement outside their homes in a foster family home or an institution. The program provides Federal matching funds to States that administer the program. SSA's procedures state that, if the source of payments for the care is federally funded income based on need (for

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<sup>4</sup> SSA's Program Operations Manual System (POMS), section GN 00502.113.

<sup>5</sup> Social Security, *Representative Payment Program, Guide for Organizational Representative Payees*, September 2001, pages 8 and 23.

<sup>6</sup> 42 U.S.C. §§ 670-679A (2003); 20 C.F.R. § 416.1143 (2003).

example, foster care under Title IV-E), the total payment is considered cash income to the individual, and the SSI payment is reduced dollar for dollar.<sup>7</sup>

We found that SFDHS generally relied on eligibility workers to notify fiscal employees when children in foster care were eligible for Title IV-E payments. However, in seven cases, SFDHS did not (1) identify the concurrent receipt of SSI and Title IV-E payments and (2) report all changes in income to SSA. As depicted in the table below, these individuals received \$94,097 in overpayments from July 1996 to February 2003.

Case Number	Payment Dates	Number of Months	Total Overpayments
328845-11	3/01 - 12/02	22	\$19,755
404030-11	12/00 - 2/03	27	16,960
411611-11	1/01 - 6/02	18	15,991
897598-13	7/96 - 3/02	69	15,845
767353-12	4/01 - 1/03	<sup>8</sup> 20	14,249
748956-12	10/00 - 7/01	10	7,077
230152-11	1/97 - 3/02	63	4,220
Total		229	\$94,097

SFDHS agreed with our findings and took corrective action during our audit. From November 2002 to April 2003, SFDHS refunded \$94,097 in overpayments to SSA. Therefore, we are not recommending a refund for this amount.

### **Changes in Custody Not Reported Timely**

SFDHS received benefit payments for child beneficiaries who were no longer in its care. This occurred because SFDHS did not report changes in custody for its beneficiaries in a timely manner. Since SSA was unaware of these changes, it continued to disburse payments to SFDHS on behalf of these individuals. As a result, seven beneficiaries did not receive \$49,423 in benefit payments to which they were entitled.

<sup>7</sup> POMS, sections SI 00835.706 and SI 00835.790.

<sup>8</sup> The beneficiary did not receive SSA benefits for June and July 2001.

SSA's procedures require that representative payees report any changes of custody and return any benefits to which the beneficiary is not entitled. Furthermore, any conserved funds or unused benefits must be returned to SSA.<sup>9</sup> In addition, SSA's *Guide for Organizational Representative Payees* requires that such payees (1) report changes in custody (including adoption) for child beneficiaries and (2) return any conserved funds if they no longer serve as representative payee.<sup>10</sup>

SFDHS generally relied on eligibility or social workers to notify fiscal employees of any changes in custody for its child beneficiaries. However, SFDHS did not ensure these changes were promptly reported to the SSA field office. As depicted in the table below, seven beneficiaries did not receive \$49,423 in Social Security benefits from September 1999 to February 2003. Therefore, these individuals could not use the benefit payments for personal needs.

Case Number	Payment Dates	Number of Months	Benefit Payments
A03525-11	9/99 - 6/01	22	\$18,704
960975-12	5/01 - 2/03	22	11,186
560083-12	12/99 - 5/01	18	6,478
241826-11	4/02 - 8/02	5	4,590
947018-12	9/00 - 11/02	27	4,379
297519-15	11/01 - 1/02	3	2,662
430048-11	5/01 - 6/01	2	1,424
Total		99	\$49,423

SFDHS agreed with our findings and took corrective action during our audit. From November 2002 to April 2003, SFDHS refunded \$49,423 in overpayments to SSA. Therefore, we are not recommending a refund for this amount.

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<sup>9</sup> POMS, section GN 00502.113.

<sup>10</sup> Social Security, *Representative Payment Program, Guide for Organizational Representative Payees*, September 2001, pages 9 and 22.

## **Excess Resources Resulted in SSI Overpayments**

SFDHS received SSI payments for adult recipients with conserved funds in excess of the \$2,000 resource limit. For three cases, SFDHS did not properly monitor the conserved funds and notify SSA of excess resources. In one of these cases, SSA identified the excess resources but SFDHS had only partially refunded the overpayment. As a result, three recipients received \$15,364 in SSI payments to which they were not entitled.

SSA's procedures state that individuals with resources in excess of \$2,000 are not eligible for SSI payments. Individuals must use these excess resources to meet their needs before they may receive additional SSI payments. Representative payees must notify SSA if the conserved funds for an SSI recipient exceed the \$2,000 resource limit at the beginning of any calendar month.<sup>11</sup>

SFDHS did not have adequate procedures to identify excess resources. Therefore, two adult recipients received \$1,196 in benefit payments in excess of the SSI resource limit. In addition, SFDHS did not take sufficient action for one adult recipient with conserved funds in excess of the SSI resource limit. Although SSA identified \$19,937 in overpayments in July 2001, SFDHS only refunded \$5,769 in August 2001 and had not refunded the remaining \$14,168 to SSA.

## **Unnegotiated Checks Not Canceled for Adult Beneficiaries**

SFDHS did not cancel the unnegotiated checks it had issued for the adult beneficiaries in its care. We found that SFDHS had disbursed the payments to meet the current maintenance needs of its beneficiaries. However, the checks were outstanding for over 1 year and had not been negotiated for payment. These funds belonged to the beneficiaries and should have been credited to their accounts. As a result, these individuals did not receive \$12,733 in beneficiary funds to which they were entitled.

SSA's procedures require that representative payees use the benefits they receive to meet the beneficiary's needs and best interests. Representative payees are responsible for keeping records and reporting on the use of benefits.<sup>12</sup> In addition, SSA's *Guide for Organizational Representative Payees* requires that such payees return any conserved funds if they no longer serve as representative payee.<sup>13</sup>

SFDHS generally relied on social workers to initiate stop payment orders before fiscal employees canceled any stale-dated checks. Nevertheless, SFDHS did not cancel 81 outstanding checks in a timely manner. These checks were dated back to

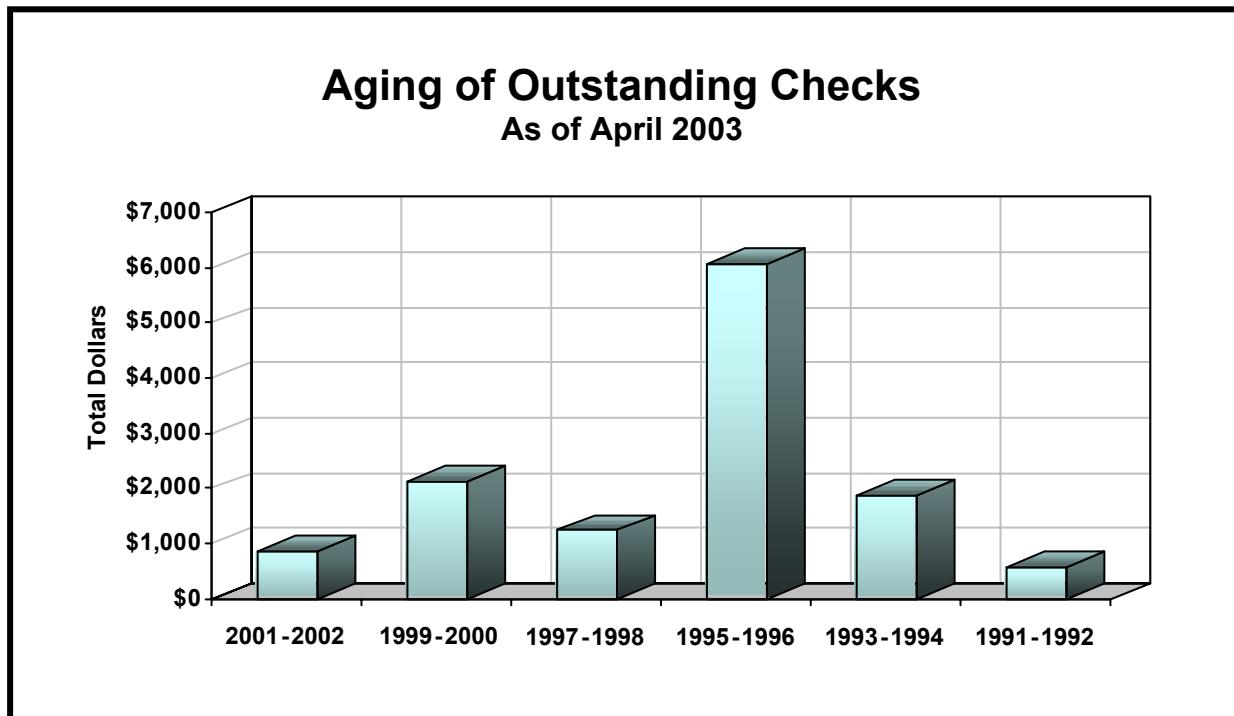
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<sup>11</sup> POMS, sections SI 01110.001 and SI 01110.003.

<sup>12</sup> POMS, section GN 00605.001.

<sup>13</sup> Social Security, *Representative Payment Program, Guide for Organizational Representative Payees*, September 2001, page 9.

March 1991. As depicted in the chart below, SFDHS had \$12,733 of unnegotiated checks as of April 2003.



Effective December 2002, SFDHS discontinued its services as representative payee for adult beneficiaries. Therefore, SFDHS should cancel the outstanding checks and return the beneficiary funds to SSA.

### **Excess Funds Not Conserved for Child Beneficiaries**

SFDHS did not conserve the excess funds of child beneficiaries placed in foster homes through a foster family agency (FFA). Although SFDHS paid a monthly fee to each FFA, these fees were only partially attributable to the beneficiary's current maintenance needs. We found that SFDHS had not determined whether the amount of SSA benefits exceeded the cost of basic and incremental care for the beneficiary. As a result, four beneficiaries did not receive \$4,150 in benefit payments to which they were entitled.

Federal regulations require that representative payees use the benefit payments for the beneficiary's current maintenance needs. These needs include the costs incurred for food, shelter, clothing, medical care, and personal comfort items.<sup>14</sup> Any remaining amount shall be conserved or invested on the beneficiary's behalf.<sup>15</sup>

<sup>14</sup> 20 C.F.R. §§ 404.2040(a) and 416.640(a) (2003).

<sup>15</sup> POMS, section GN 00603.001.

From May 1, 2001 to April 30, 2002, SFDHS served as representative payee for 124 child beneficiaries, of whom 32 were placed in foster homes through an FFA. The California Department of Social Services establishes payment rates for each FFA based on the child's age. SFDHS pays the monthly fee when it places child beneficiaries in foster homes through an FFA. The fee includes amounts for the cost of basic care, incremental care, administration, and social work. Although the basic and incremental care costs support the beneficiary's current maintenance needs, the administration and social work costs do not support these needs.

Our review disclosed that FFA fees generally ranged from about \$1,400 to \$2,100 per month. Of this amount, about 40 percent related to basic and incremental care while about 60 percent related to administration and social work. In 28 cases, the cost of basic and incremental care exceeded the amount of SSA benefits received by SFDHS and paid to the FFA. As a result, there were no conserved funds remaining for the beneficiaries. However, in four cases, the amount of SSA benefits exceeded the cost of basic and incremental care and should have resulted in \$4,150 of conserved funds for the beneficiaries.

## **Accounting for Social Security Benefits Could be Improved**

SFDHS did not properly account for the Social Security benefits on behalf of its child beneficiaries. This occurred because SFDHS used two accounting systems to record the benefits received and disbursed for children in foster care. In addition, SFDHS was unaware of the requirement to maintain individual accounts for its beneficiaries. As a result, four beneficiaries did not receive \$4,064 in benefit payments to which they were entitled.

Federal regulations state that representative payees should keep records of (1) the amount of benefit payments on hand at the beginning of the accounting period, (2) how the benefit payments were used, (3) how much of the benefit payments was saved and how the savings were invested, (4) where the beneficiary lived during the accounting period, and (5) the amount of income received by the beneficiary from other sources during the accounting period.<sup>16</sup>

SSA's procedures require that representative payees apply benefits received on behalf of a beneficiary only for the use and benefit of that beneficiary. Although representative payees may establish collective accounts for funds belonging to more than one beneficiary, they must maintain records showing the amount of each individual's share in the account.<sup>17</sup>

From May 1, 2001 to April 30, 2002, SFDHS received \$617,559 in Social Security benefits on behalf of 124 child beneficiaries. During our audit, SFDHS was unable to provide a detailed accounting of the benefits received and disbursed for children in

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<sup>16</sup> 20 C.F.R. §§ 404.2065 and 416.665 (2003).

<sup>17</sup> POMS, sections GN 00602.001 and GN 00603.020.

foster care. We reviewed the accounting records to compare the monthly income and expenses for each beneficiary. For four individuals, we found that SFDHS received \$4,064 of income in excess of expenses. However, because SFDHS did not maintain individual accounts, it did not conserve these funds on behalf of the beneficiaries.

## **Bank Account Not Properly Titled**

SFDHS did not properly establish the bank account for the child beneficiaries in its care. We found that SFDHS had incorrectly titled the checking account for children in foster care to show the funds belonged to the representative payee rather than the beneficiaries. However, the account should have reflected that SFDHS only retained a fiduciary interest in the funds. As a result, these individuals are vulnerable to the risk of loss of beneficiary funds.

SSA's procedures require that representative payees deposit funds not needed for the beneficiary's current maintenance needs in an account that is titled to show the representative payee only retains a fiduciary interest in the funds. Generally, representative payees must not commingle a beneficiary's funds with their personal or organizational operating funds.<sup>18</sup>

Our review disclosed that SFDHS had established the checking account as part of the general fund for the City and County of San Francisco rather than as a trust or custodian account. Therefore, SFDHS was incorrectly listed as the owner of the funds. SFDHS should establish a separate account to protect beneficiary funds in the event of bank failure.

## **Beneficiaries Not Entered into RPS**

SSA did not update RPS to accurately reflect the beneficiaries in SFDHS' care. This occurred, in part, because SSA employees may bypass RPS to establish a representative payee by identifying individuals or organizations as the beneficiaries' representative payee directly on the Master Beneficiary Record or Supplemental Security Record. As a result, RPS did not identify SFDHS as representative payee for 25 beneficiaries in its care.

The Omnibus Budget Reconciliation Act of 1990<sup>19</sup> requires that SSA provide for specific identification and control of all representative payees and the beneficiaries they serve. As a result, SSA established RPS, an on-line system for entering and retrieving information about representative payees and those applying to be representative payees. RPS contains data about representative payee applicants, beneficiaries in the representative payee's care, and the relationship between the representative payee and the beneficiaries.

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<sup>18</sup> POMS, sections GN 00603.010 and GN 00603.020.

<sup>19</sup> Pub. L. No. 101-508 § 5105, codified at 42 U.S.C. § 405(j)(2).

From May 1, 2001 to April 30, 2002, SFDHS served as representative payee for 124 child beneficiaries and 21 adult beneficiaries. However, we identified 25 beneficiaries for whom SFDHS had served as the representative payee but for whom SFDHS was not recorded as the representative payee in RPS. For these beneficiaries, SSA did not ensure that changes in representative payees were properly entered into RPS. Without complete and accurate information, SSA may be unable to effectively monitor the performance of its representative payees.

## *Conclusions and Recommendations*

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Generally, SFDHS (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used in accordance with SSA's policies and procedures. However, SFDHS did not always report Title IV-E payments, notify SSA of changes in custody, identify excess resources, cancel unnegotiated checks, conserve excess funds, maintain individual accounts, and properly title the bank account for its beneficiaries. In addition, SSA did not update RPS to accurately reflect the beneficiaries in SFDHS' care. We recommend that SSA:

1. Ensure SFDHS develops procedures to identify and report changes in income for SSI recipients who receive Title IV-E payments.
2. Ensure SFDHS develops procedures to promptly report changes in custody for its child beneficiaries and return conserved funds if they no longer serve as representative payee.
3. Direct SFDHS to refund \$15,364 in overpayments for SSI recipients with conserved funds in excess of the \$2,000 resource limit.
4. Ensure SFDHS develops procedures to identify and report SSI recipients with excess resources in a timely manner.
5. Direct SFDHS to cancel its unnegotiated checks and refund \$12,733 in beneficiary funds to SSA.
6. Direct SFDHS to establish \$4,150 in conserved funds for the child beneficiaries placed in foster homes through an FFA.
7. Ensure SFDHS develops procedures to identify and conserve funds in excess of current maintenance needs for child beneficiaries with FFA fees.
8. Direct SFDHS to establish \$4,064 in conserved funds for the child beneficiaries who received income in excess of expenses during our audit period.
9. Direct SFDHS to maintain individual accounts for child beneficiaries to ensure the benefits received and disbursed are properly accounted for.
10. Ensure SFDHS amends the title of its bank account for child beneficiaries to reflect their ownership interest in the funds.

11. Update RPS to include all beneficiaries for whom SFDHS was selected as representative payee.

## **AGENCY COMMENTS**

SSA agreed with all of our recommendations. The full text of SSA's comments is included in Appendix B.

## **REPRESENTATIVE PAYEE COMMENTS**

SFDHS agreed with all of our recommendations. The full text of SFDHS' comments is included in Appendix C.

# *Other Matters*

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## **Representative Payee Reports Not Available**

As part of our audit, we requested that SSA provide the most recently completed RPRs for 30 beneficiaries who were in SFDHS' care from May 1, 2001 to April 30, 2002. SSA provided current RPRs for 10 of the 30 beneficiaries. However, SSA could not provide current RPRs for the remaining 20 beneficiaries. SFDHS generally did not retain copies of the most recent RPRs submitted to SSA.

SSA's procedures require that representative payees complete RPRs to account for the benefits received and used for all beneficiaries in their care. Representative payees are required to report such information to SSA annually. In addition, SSA is required to review the RPRs and retain these reports for 2 years after the last month of the reporting period.<sup>20</sup>

Although SSA initially provided 47 RPRs, we found that only 10 pertained to the current reporting period while 26 pertained to prior reporting periods. Another 10 pertained to beneficiaries for whom we had not requested RPRs. The remaining one represented a duplicate copy of an RPR for the current reporting period. Because SSA did not provide all the RPRs requested, we could not independently determine whether SFDHS met its reporting responsibilities. Furthermore, we could not determine whether SFDHS (1) did not submit the reports or (2) submitted the RPRs and SSA could not locate them.

## **Conserved Funds Held in a Non-interest-bearing Account**

SFDHS held conserved funds for its adult beneficiaries in a non-interest-bearing checking account. SFDHS did not invest these funds because it was unaware SSA had recommended the use of interest-bearing accounts for balances in excess of \$500. As of April 30, 2002, SFDHS held \$39,610 in conserved funds for the adult beneficiaries in its care. As a result, these beneficiaries did not earn interest on their conserved fund balances.

SSA's procedures state that any funds not needed for the beneficiary's immediate or reasonably foreseeable needs must be conserved or invested with minimum risk. These funds may be deposited in an interest-bearing or dividend-bearing account in a bank, trust company, credit union, or savings and loan association that is insured under either Federal or State law. For each beneficiary with more than \$500 in conserved funds, SSA recommends that representative payees deposit such funds in interest-yielding investments.<sup>21</sup>

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<sup>20</sup> POMS, sections GN 00605.001 and GN 00605.055.

<sup>21</sup> POMS, sections GN 00603.001 and GN 00603.010.

From May 1, 2001 to April 30, 2002, SFDHS held conserved funds in excess of \$500 for 14 of the 21 adult beneficiaries in its care. However, effective December 2002, SFDHS discontinued its services as representative payee for adult beneficiaries. Therefore, we do not have any further recommendations.

## **Benefit Payments Not Accurately Recorded**

SFDHS inadvertently posted two benefit payments to the incorrect adult beneficiary. In May 2001, SFDHS received \$649 in OASDI benefits and \$158 in SSI payments for one adult beneficiary. However, SFDHS incorrectly recorded these payments on behalf of another adult beneficiary. As a result, one beneficiary did not receive \$807 in benefit payments to which he was entitled.

SSA's procedures require that representative payees maintain adequate records of how benefits are received and used for each beneficiary.<sup>22</sup> In addition, SSA's *Guide for Organizational Representative Payees* requires that such payees establish an accounting system to track how much money was received, how much money was spent, and the balance saved for each beneficiary.<sup>23</sup>

In December 2002, SFDHS adjusted its accounting records for the beneficiary who received the overpayment. Although the beneficiary who incurred the underpayment died in April 2002, SFDHS initiated corrective action to return the funds to the beneficiary's estate. Therefore, we do not have any further recommendations.

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<sup>22</sup> POMS, section GN 00502.113.

<sup>23</sup> Social Security, *Representative Payment Program, Guide for Organizational Representative Payees*, September 2001, page 27.

# *Appendices*

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## **Appendix A**

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### **Summary of Monetary Results**

Finding	Amount
Concurrent Supplemental Security Income and Title IV-E Payments Not Reported	\$94,097
Changes in Custody Not Reported Timely	\$49,423
Excess Resources Resulted in Supplemental Security Income Overpayments	\$15,364
Unnegotiated Checks Not Canceled for Adult Beneficiaries	\$12,733
Excess Funds Not Conserved for Child Beneficiaries	\$4,150
Accounting for Social Security Benefits Could be Improved	\$4,064
Total	\$179,831

## **Appendix B**

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### **Agency Comments**



## SOCIAL SECURITY

### **MEMORANDUM**

Date: October 27, 2003

Refer To: S2D9G3

To: Assistant Inspector General  
for Audit

From: Assistant Regional Commissioner  
Management and Operations Support  
San Francisco

Subject: San Francisco Department of Human Services – An Organizational Representative Payee  
for the Social Security Administration (A-09-03-13011) – REPLY

Thank you for the opportunity to review the formal draft report, including the eleven recommendations, for the San Francisco Department of Human Services (SFDHS).

The San Francisco Downtown field office (FO) agrees with the eleven recommendations and has been actively working with SFDHS to improve their accounting procedures to prevent overpayments and to insure that conserved funds are properly identified and maintained. Once we receive information from the IG audit team which identifies the specific cases with names and social security numbers, we will proceed to collect the remaining overpayments and credit them to the proper accounts.

As for the retitling of the bank account for the child beneficiaries, we have long been aware of the problem and have brought it to the attention of the SFDHS many times in the past. However, due to technical legalities within the City and County of San Francisco, the city and county have not been willing to approve the legal changes that would be necessary for SSA and SSI monies to be maintained in a separate account with the proper titling. However, we will continue to work with the County Treasurer to explore other avenues on how the account can be retitled to meet SSA requirements.

The FO is already working to update the Representative Payee System (RPS) to insure that it correctly reflects all the beneficiaries for whom SFDHS is the payee. The FO will continue to stress the proper and timely reporting of events that affect eligibility, the importance of returning conserved funds and better recordkeeping by addressing these subjects on a case-by-case basis and by providing additional training to the SFDHS staff. Special emphasis will be placed on issues dealing with conserved funds that belong to children.

For further information staff may contact Cheryl Jacobson, Center for Programs, at 510-970-8248.

/s/  
*Ron Sribnik for  
Patrick E. Sheehan*

cc:  
OPSOS  
OISP  
DCFAM

## **Appendix C**

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### **Representative Payee Comments**

# City and County of San Francisco



# Department of Human Services

Trent Rhorer  
Executive Director

Deputy Directors  
Janice Anderson Santos  
Jim Buick  
Sally Kipper

October 28, 2003

Steven L. Schaeffer  
Assistant Inspector General for Audit  
Office of the Inspector General/Office of Audit  
Social Security Administration  
Baltimore, MD 21235-0001

**SUBJECT: Response to Audit Report “San Francisco Department of Human Services: An Organizational Representative Payee for the Social Security Administration” (A-09-03-13011).**

Dear Mr. Schaeffer:

Thank you for your September 16, 2003 letter requesting our response to the findings and recommendations in the draft audit report A-09-03-13011, “San Francisco Department of Human Services: An Organizational Representative Payee for the Social Security Administration,” covering the period May 1, 2001 to April 30, 2002.

Below are the specific areas you identified as needing improvement by the San Francisco Department of Human Services (SFDHS) in its role as Representative Payee for adult and child SSA/SSI beneficiaries, along with our responses:

1. **Concurrent SSI and Title IV-E Payments Not Reported:** SFDHS did not ensure SSI recipients who received Title IV-E payments were reported to SSA in a timely manner to determine whether such payments affected continuing entitlement to SSI payments.

*Response: The Department concurs.*

*Our goal is to strengthen procedures for monitoring and reporting changes in “aid type” status of our child SSI beneficiaries to the Social Security Administration. To achieve this goal, we have increased the role of our Revenue Accounting unit in processing all payments received on behalf of our child beneficiaries as follows:*

1. *Do an inquiry in WCDS (Welfare Case Data System) to verify the aid-type status of child in order to determine his/her continued eligibility for Social Security benefits.*
2. *If the child aid-type shows a “42” code, child’s care is now federally funded. Hence, Revenue Accounting must immediately request that worker complete and forward Form 816 “Change Notification”. This form will show the date child became eligible for*

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San Francisco, California 94120

*federal funding and it authorizes Revenue Accounting to notify SSA and return any payments received from the date the child became eligible.*

*The Department has analyzed records of recipients who were not entitled to SSI payments (including the seven mentioned in your report) and on April 4, 2003 refunded \$132,381 to SSA.*

**2. Changes in Custody Not Reported Timely:** SFDHS did not report changes in custody for its beneficiaries in a timely manner resulting in \$49,423 in benefit overpayments from SSA.

*Response: The Department concurs.*

*We have since refunded these overpayments to SSA and enhanced the procedures to:*

- (1) *promptly report changes in custody for our child beneficiaries and*
- (2) *return any conserved funds to SSA in the event the department no longer serves as Rep Payee for beneficiaries.*

*Our goal is to continue to improve service coordination and communication between our Child Welfare Workers and our Eligibility Workers to ensure that changes in custody are reported in a timely manner.*

**3. Excess Resources Resulted in SSI Overpayments:** SFDHS received SSI payments for adult recipients with conserved funds in excess of the \$2,000 resource limit.

*Response: The Department concurs, but no longer serves as Rep Payee for adult SSI recipients.*

*The Department has successfully transferred all the active adult cases and their balances (including those with SSI overpayments) to the San Francisco Department Aging and Adult Services and also on July 23, 2003 we refunded \$11,219.11 of overpayments on inactive cases to SSA.*

**4. Unnegotiated Checks totaling \$12,733 not canceled for adult beneficiaries in the department's care.**

*Response: The Department concurs.*

*We have canceled all 81 outstanding, stale-dated checks. Also on August 8, 2003, we refunded \$12,301 to the Social Security Administration (for the inactive cases) and \$432 to the San Francisco Department of Aging and Adult Services (for the active cases).*

**5. Excess Funds Not Conserved for Child Beneficiaries:** SFDHS did not conserve the excess funds of beneficiaries placed in foster homes through a foster family agency (FFA).

*Response: The Department concurs.*

*The Department is working to develop a simplified procedure for determining the excess funds of beneficiaries placed through a foster family agency (FFA). We want to ensure that excess funds are calculated correctly, conserved, or invested on behalf of the beneficiaries.*

**6. Accounting for Social Security Benefits could be Improved:**

- a. SFDHS was unaware of the requirement to maintain individual accounts for its beneficiaries.

*Response: The Department concurs.*

*We now maintain separate records on all child beneficiaries to show the benefits we receive from SSA, payments recorded in the WCDS, and how much savings were accrued and where beneficiary lived during accounting period..*

- b. SSA's procedures require that Rep Payees apply benefits received on behalf of a beneficiary only for the use and benefit of that beneficiary.

*Response: The Department concurs.*

*We have always applied benefits received on behalf of a beneficiary solely for the use and benefit of that beneficiary, even in the past when the Department did not maintain separate records on child beneficiaries.*

*Our goal is to continue to maintain the fiscal integrity and accountability for the conserved funds of all child beneficiaries for whom we serve as Representative Payee. To this end, in December 2002, we established two separate subsidiary accounts titled SSI Foster Care Beneficiary Trust and SSA Foster Care Beneficiary Trust within our Agency Funds group (separate from our General Fund) to track the OASDI and SSI payments received on each beneficiary. All OASDI and SSI funds received on behalf of our payees are deposited into these subsidiary accounts.*

**7. Bank Account Not Properly Titled:** SFDHS incorrectly titled the account for children in foster care to show the funds belonged to the Rep Payee rather than the beneficiaries.

*Response: The Department concurs.*

*The Department has created new subsidiary general ledger accounts titled "SSI Foster Care Beneficiary Trust" and "SSA Foster Care Beneficiary Trust" to reflect that the funds received on behalf of the beneficiaries are trust funds. We are certain that our new procedures will ensure that all conserved funds are not mingled with the General Fund or any of the department's operating funds.*

Other Matters:

1. Conserved Funds Held in a non-interest-bearing account: SFDHS was not aware that SSA recommended that conserved funds in excess of \$500 for adult beneficiaries be kept in interest-bearing accounts.

*Response: The Department concurs.*

*SFDHS closed the checking account for the adult beneficiaries in May 2003 and transferred the balances of all active cases to the San Francisco Department of Aging and Adult Services (SFDAAS), the current Representative Payee for all former SFDHS adult beneficiaries.*

2. Benefit Payments Not Accurately recorded: That SFDHS inadvertently posted two benefit payments (\$807) to the incorrect adult beneficiary.

*Response: The Department concurs.*

*The \$807 belonging to [REDACTED] (a deceased SSA beneficiary) was erroneously posted to [REDACTED]'s account. On July 2, 2002, the department issued \$1,646.83 to SSA to close out [REDACTED] account, understating his balance by the \$807. In October 2002, we transferred [REDACTED]'s case and the balance in his account (which included [REDACTED]'s \$807) to SFDAAS. We have since taken action to refund the \$807 to SSA and inform SFDAAS of this erroneous posting to [REDACTED] account.*

Thank you for the opportunity to respond to the draft audit report. If you have any questions please contact me or you may contact Leo Levenson, Finance Manager, San Francisco Department of Human Services, (415) 557-5140 or at [Leo.Levenson@sfgov.org](mailto:Leo.Levenson@sfgov.org).

Sincerely,

Trent Rhorer  
Executive Director

Note: The name of the beneficiary was redacted to prevent the disclosure of personal identifying information.

## **Appendix D**

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Bill Fernandez, Director, Western Audit Division, (510) 970-1739

Jack H. Trudel, Deputy Director, (510) 970-1733

### ***Acknowledgments***

In addition to the persons named above:

Joseph I. Robleto, Senior Auditor

Daniel L. Hoy, Auditor

Brennan Kraje, Statistician, Policy, Planning and Technical Services

Kimberly Beauchamp, Writer-Editor, Policy, Planning and Technical Services

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](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-09-03-13011.

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Social Security Advisory Board  
San Francisco Department of Human Services

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