

Evaluation Report

Volume Individual Representative
Payees

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: January 22, 2016 Refer To:

To: The Commissioner

From: Inspector General

Subject: Volume Individual Representative Payees (A-15-16-50034)

The attached final report presents the results of the Office of Audit's review. The objectives were to determine common traits and vulnerabilities noted during reviews of Social Security Administration high-volume individual representative payees.

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.



Patrick P. O'Carroll, Jr.

Attachment

Volume Individual Representative Payees

A-15-16-50034



January 2016

Office of Audit Report Summary

Objective

To determine common traits and vulnerabilities noted during reviews of Social Security Administration (SSA) high-volume individual representative payees.

Background

A representative payee may be an individual or an organization. A representative payee receives and disburses benefit payments on a beneficiary's behalf. Representative payees are responsible for ensuring benefit payments are used for the beneficiary's current maintenance, including food, shelter, clothing, medical care, and personal comfort items.

Despite all of a representative payee's responsibilities, only fee-for-service payees are allowed to collect a fee. SSA procedures prohibit volume individual representative payees from collecting a fee from SSA benefits for their services except in certain circumstances such as when they serve as a court-appointed legal guardian.

This review focused on volume individual representative payees, that is, individuals serving as a payee for 15 or more beneficiaries. Using the Philadelphia regional Intranet site (Philanet), we identified approximately 500 payees throughout SSA's 10 regions.

Findings

Some beneficiaries must rely on a representative payee to receive and disburse SSA benefit payments on their behalves. Because the Agency approves representative payee applications—and these payees serve some of SSA's most vulnerable beneficiaries—we believe it is important that the Agency provide sufficient oversight. Specifically, we believe SSA should ensure payees use and account for benefit payments in accordance with Agency policies and procedures.

We identified approximately 500 high-volume individual payees in Philanet's Representative Payee Monitoring Application as of October 2014. Of those 500 payees, we noted 47 cared for 50 or more beneficiaries. These payees were responsible for determining beneficiaries' current needs for day-to-day living and using their payments to meet those needs. During our prior reviews of seven high-volume individual payees, 3 of whom were included in the 47 payees noted above, we found that all collected unallowable and/or excessive fees. However, during SSA's site reviews of the high-volume individual payees with 50 or more beneficiaries, the Agency found only 4 had collected fees. We did not review the accuracy of SSA's site review results and therefore did not draw conclusions on these results. However, we believe SSA could improve its site reviews by adopting some tests we perform in our audits of representative payees.

Recommendations

We made two recommendations that SSA enhance its continuous monitoring program to help identify the issues consistently found by the Office of the Inspector General in its audits of high-volume individual representative payees.

SSA agreed with the recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
FFS	Fee-for-Service
FO	Field Office
OIG	Office of the Inspector General
PII	Personally Identifiable Information
POMS	Program Operations Manual System
Program	Expanded Monitoring Program
Pub. L. No.	Public Law Number
RIF	Recipient in Force
RPMA	Representative Payee Monitoring Application
SSA	Social Security Administration
Stat.	United States Statutes at Large
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine common traits and vulnerabilities noted during reviews of Social Security Administration (SSA) high-volume individual representative payees.

BACKGROUND

A representative payee receives and disburses benefit payments on a beneficiary's behalf. Congress granted SSA the authority to appoint representative payees for those beneficiaries¹ whom SSA deems are incapable of managing or directing the management of their benefit payments because they have a mental or physical disability or are a child.² A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients when representative payments would serve the individuals' interests. Representative payees are responsible for managing benefits³ in the beneficiary's best interest and ensuring benefit payments are used for the beneficiary's current maintenance,⁴ including food, shelter, clothing, medical care, and personal comfort items. See Appendix A for representative payees' responsibilities.

Despite all these responsibilities, SSA only allows fee-for-service (FFS) payees to collect a fee.⁵ SSA procedures prohibit volume individual representative payees from collecting a fee from SSA benefits except in certain circumstances, such as court-ordered fees, including fees for serving as a court-appointed legal guardian.⁶

Expanded Payee Monitoring Program

SSA designed its Expanded Monitoring Program (Program) to ensure payees are performing their duties satisfactorily and protect beneficiaries from misuse. Monitoring strengthens SSA's oversight of payees and supplements the annual accounting process. SSA built the Program from a pilot that it began in 1998 to perform site reviews for FFS payees. In June 2000, SSA implemented the Program for all FFSs and certain other payees. In 2004, Congress passed

¹ The term "beneficiary" in this report refers to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

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

³ The term "benefits" refers to both Old-Age, Survivors and Disability Insurance benefits and Supplemental Security Income payments.

⁴ 20 C.F.R. §§ 404.2040 and 416.640, *Use of Benefit Payments*.

⁵ A FFS payee is a qualified organization that has written authorization from SSA to collect a fee as payment for providing representative payee services.

⁶ SSA, POMS, GN 00602.110 (March 5, 2002), SSA, POMS, GN 00602.040 (July 21, 2009); *A Guide for Representative Payees*, SSA Publication No. 05-10076, July 2015.

Public Law 108-203,⁷ mandating that SSA periodically review all FFS payees, individuals who serve as payee for 15 or more individuals, and agencies that serve as payee for 50 or more individuals.

SSA's policy is to conduct mandated site reviews of every volume payee⁸ at least once every 4 years and FFS payees at least once every 3 years. The reviews monitor payee performance through a face-to-face meeting with the payee and examination of a sample of beneficiary records for the 12-month period before the month of the site visit. Where possible, SSA corroborates some expenses with receipts and contacts with service providers to the beneficiary. The review includes an assessment of the payee's recordkeeping and interviews with beneficiaries or caretakers of beneficiaries who are unable to respond, incompetent, or children.

The Philadelphia regional Intranet site (Philanet), Representative Payee Monitoring Application (RPMA), lists the payees subject to periodic site reviews by region and includes details from each site visit. Using RPMA, in October 2014, we compiled a list of all payees categorized as volume individual payees—those who serve as a payee of 15 or more beneficiaries. We identified approximately 500 throughout SSA's 10 regions, 10 of whom served more than 100 beneficiaries.⁹

Previous Office of the Inspector General Reviews

Since 2007, we have conducted seven in-depth reviews of high-volume individual payees. All these payees had more than 50 beneficiaries in their care at the time of our review. In total, these payees served more than 1,000 beneficiaries. We conducted a detailed review of financial records for a sample of at least 50 beneficiaries and, in most cases, a larger sample. We also conducted site visits at care facilities, interviewed a sample of beneficiaries, and reviewed the representative payee's internal controls over the receipt and disbursement of Social Security benefits. We identified several recurring findings including payees collecting unallowable and/or excessive fees contrary to SSA policy.

SSA's procedures prohibit individual representative payees from collecting a fee from SSA benefits except in certain circumstances, such as court-ordered fees including fees for serving as a court appointed legal guardian.¹⁰ We classified fees collected by payees when they were not appointed the legal guardian as unallowable. SSA policy¹¹ also states that when an individual is appointed as a legal guardian for a competent or incompetent beneficiary, part of the

⁷ *Social Security Protection Act of 2004*, Pub. L. No. 108-203 § 102, 118 Stat. 493, 497 (2004).

⁸ In the context of site reviews, volume payees are organizational payees serving 50 or more beneficiaries, and payees classified as individual/other serving 15 or more beneficiaries.

⁹ We have conducted an in-depth review of 2 of the payees serving more than 100 beneficiaries.

¹⁰ SSA, POMS, GN 00602.110 (March 5, 2002), GN 00602.040 (July 21, 2009); SSA, *A Guide for Representative Payees*, (Publication No. 05-10076), July 2015.

¹¹ SSA, POMS, GN 00602.040 (July 21, 2009).

beneficiary's funds may be used for customary guardianship costs and court-ordered fees. These fees may be collected provided the guardianship appears to be in the beneficiary's best interest, the beneficiary's personal needs are met first, and the beneficiary's funds would not be depleted by the collection of guardianship fees. Through our reviews, we noted instances in which the guardianship fees collected by the payees appeared excessive in relation to the beneficiaries' total income. We classify these fees as excessive. For the specifics of each review, see the prior reports listed in Appendix B.

RESULTS OF REVIEW

For 47 payees listed in RPMA with 50 or more beneficiaries in their care, we reviewed (1) findings identified during SSA's site reviews, (2) LexisNexis reports, and (3) information obtained through Internet searches. We noted that approximately 50 percent of these payees and their beneficiaries were located in the Chicago Region. SSA had performed monitoring reviews and documented the results in RPMA for 43 of the 47 payees we reviewed.

We also reviewed findings from seven previous Office of the Inspector General (OIG) audits of volume individual payees since 2007 in comparison to findings identified during the Agency's site reviews. Because of the extensive level of our review,¹² we identified several recurring findings—including payees collecting unallowable and/or excessive fees. Specifically, we noted that all seven payees collected fees—many in excessive amounts—to compensate for their services, despite SSA policies to the contrary. Yet, of the 43 payees SSA reviewed with 50 or more beneficiaries, SSA only identified 4 as having collected fees. Although we did not test the accuracy of the results from SSA's site reviews, we believe SSA could improve its site reviews by adopting some tests the OIG performs in its audits of representative payees.

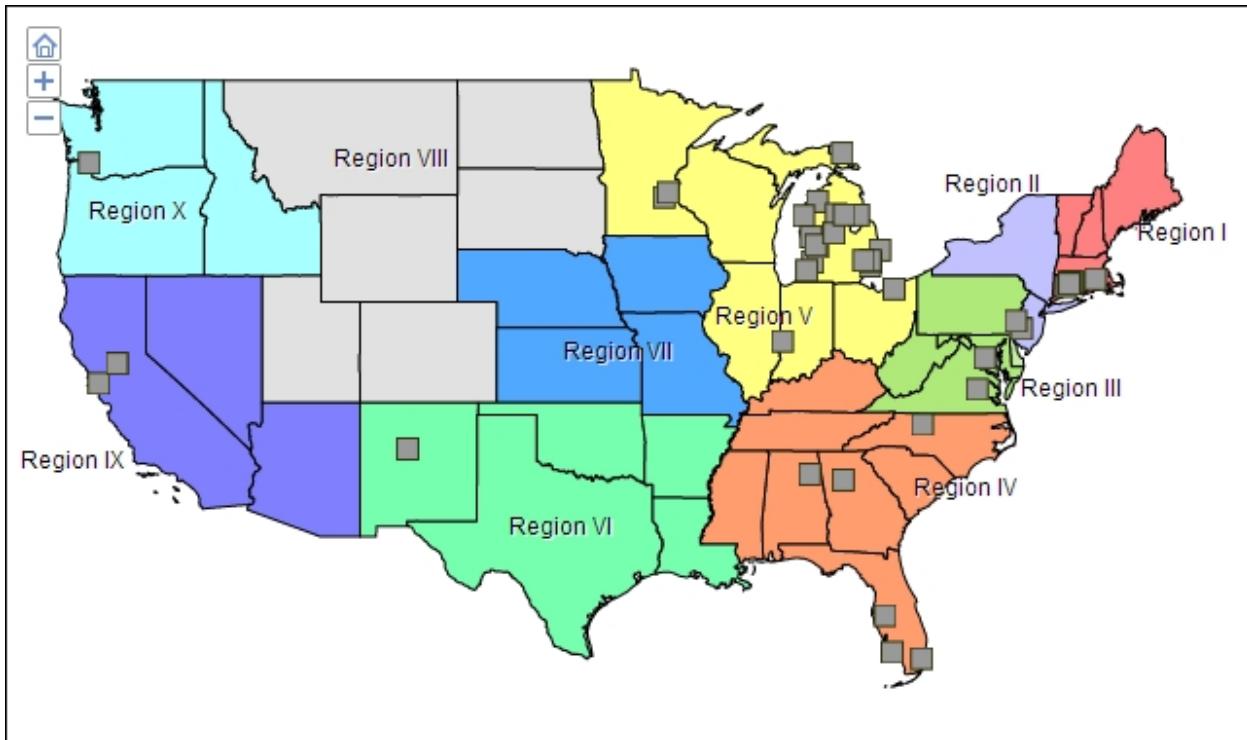
Volume Individual Payees with 50 or More Beneficiaries

We reviewed information for 47 of the approximately 500 volume individual payees who had 50 or more beneficiaries in their care as of October 2014.¹³ The following map shows the location of each payee. As of October 2014, these payees were caring for 3,964 beneficiaries ranging from 50 to 226 and a median number of 74 beneficiaries. Of that total, 1,979 (50 percent) beneficiaries were in the Chicago Region, and 758 (19 percent) were in the Boston Region. These amounts correlate with the number of payees in both Regions. Of the 47 payees, the top 2 were in the Boston Region and cared for 226 and 186 beneficiaries, respectively. Nine of the next 10 were in the Chicago Region and cared for over 1,000 beneficiaries, collectively.

¹² During our reviews, we review every transaction for a 12-month period.

¹³ The RPMA information was obtained as of October 2014, but this information is updated annually in June or July. Therefore, the number of beneficiaries noted in RPMA as of October 2014 could be different than the actual number of beneficiaries in the payees' care at that time.

Figure 1: High Volume Individual Payee Locations with 50 or More Beneficiaries



Of the 47 payees reviewed, 23 (approximately 49 percent) were in the Chicago Region (Region V), and 8 (17 percent) were in the Boston Region (Region I). The details are as follows.

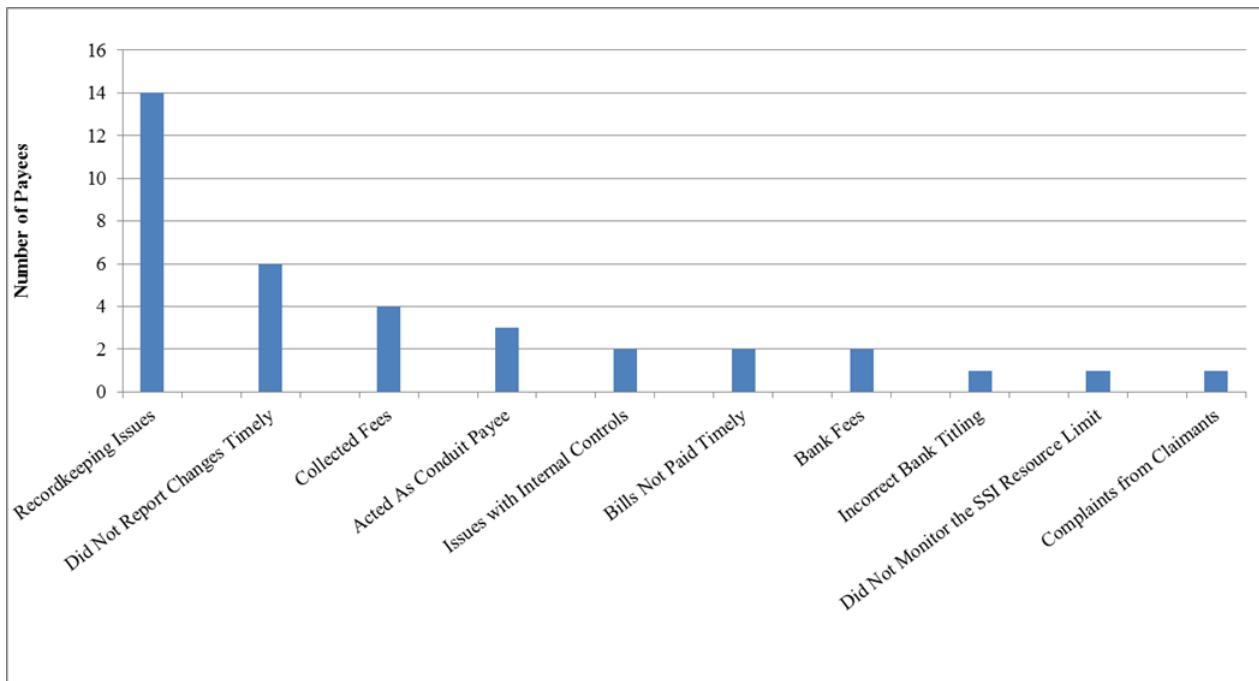
- Chicago Region (Region V), 23 payees (49 percent)
- Boston Region (Region I), 8 payees (17 percent)
- Atlanta Region (Region IV), 6 payees (13 percent)
- Philadelphia Region (Region III), 5 payees (11 percent)
- San Francisco Region (Region IX), 3 payees (6 percent)
- Dallas Region (Region VI), 1 payee (2 percent)
- Seattle Region (Region X), 1 payee (2 percent)¹⁴

¹⁴ The remaining 3 regions did not have any individual payees with 50 or more beneficiaries.

SSA Site Review Findings

As part of the Expanded Monitoring Program, SSA's policy is to conduct site reviews of volume payees at least once every 4 years. These reviews include (1) a face-to-face interview with the payee, (2) an in-depth review of financial records during a 12-month period for a sample of beneficiaries, (3) interviews with a prescribed sample of beneficiaries, and (4) a close-out meeting with the payee. For the in-depth review of financial records, SSA selects no more than 10 cases and checks at least 2 disbursement transactions for each beneficiary selected. The Agency documents these results in RPMA. For the 47 volume individual payees with 50 or more beneficiaries, SSA had not conducted site reviews for 4 at the time of our review.¹⁵ The most prevalent issues noted in RPMA from all documented reviews are summarized in Figure 2.

Figure 2: Site Review Findings



For 14 payees, SSA noted such recordkeeping issues as expenses not properly documented, checks outstanding for 1 year or longer and untimely transfer of funds from a collective account to separate beneficiary accounts. Of the four payees SSA determined were collecting fees, the Agency considered the fees reasonable for only one payee. SSA's procedures prohibit individual representative payees from collecting a fee from SSA benefits for representative payee services. The payee that SSA determined collected reasonable fees did so as the beneficiaries' guardian/conservator, and the courts approved the fees.

¹⁵ These payees had started within the last 4 years and therefore a review was not yet due.

During SSA's site reviews, SSA noted two payees caused beneficiaries to be charged overdraft fees because they did not appropriately monitor bank accounts. One payee had several documented complaints from beneficiaries, such as bills not being paid, having to schedule appointments to talk with the payee, and beneficiaries being displeased with the payee and its staff. SSA also noted two payees did not keep checkbooks in locked cabinets and the check stock and signature stamp in separate locations. Financial-related issues could impact the beneficiaries' ability to maintain acceptable housing, food, and basic needs. As such, we believe it is imperative that the Agency continue monitoring representative payees and ensure they are delivering the proper level of care. In addition, SSA should continue following up on issues noted during the site reviews to ensure the payees are following its policies and procedures.

LexisNexis Review

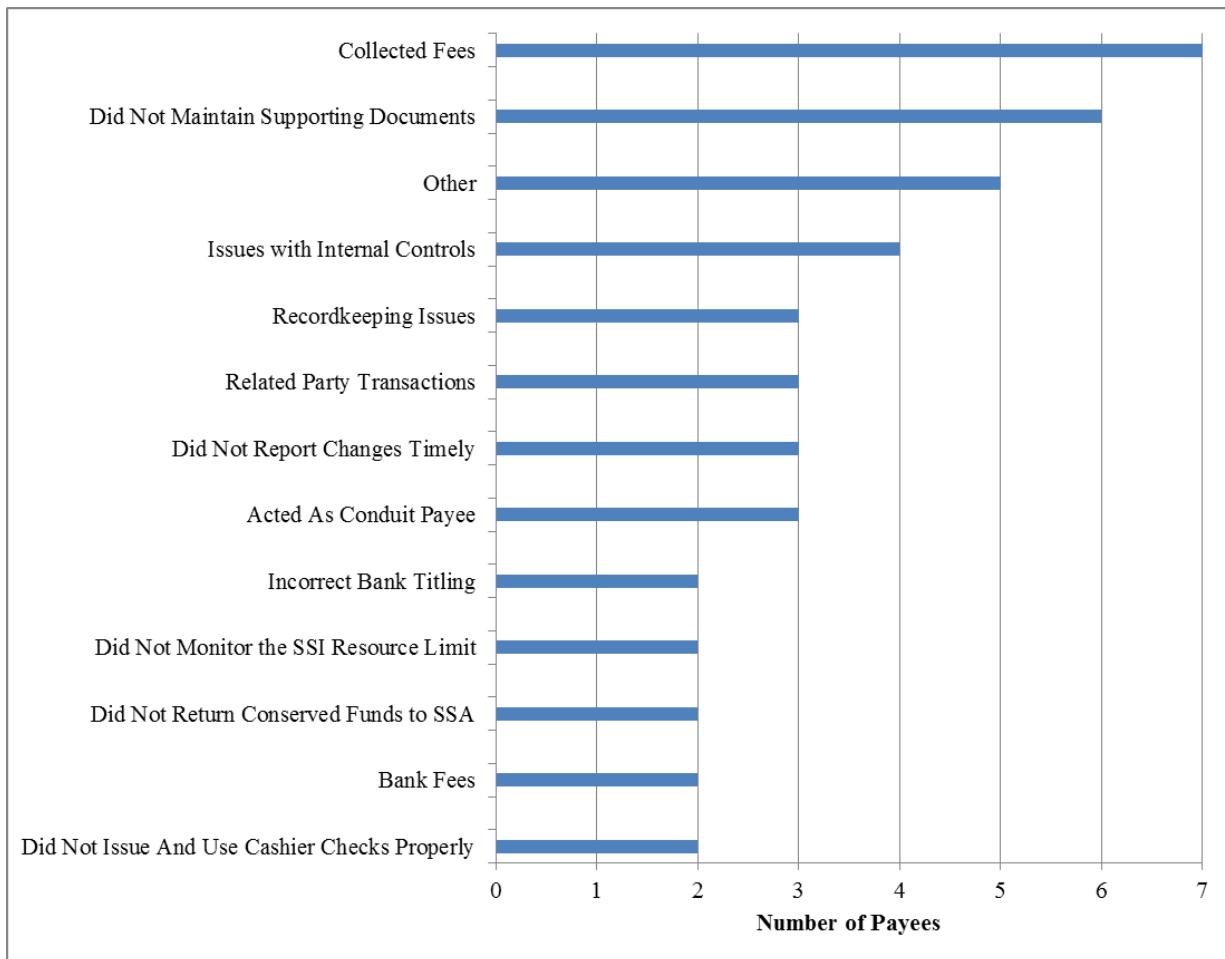
We used the research tool LexisNexis to review the 47 high-volume individual payees. We noted that six payees had prior financial liens and judgments or bankruptcy filings. The most recent lien was filed in 2009, which is the same year that the payee was selected by SSA. According to LexisNexis, this lien was released in 2011. We determined the Agency was unaware that one payee had filed for Chapter 7 bankruptcy in 2007. This payee was one of the seven in-depth reviews we conducted. During our research for this review, we identified the bankruptcy filing and notified the local field office (FO), which had just conducted its own review. The FO was unaware of the filing and stated that type of financial question is not asked during the selection process for payees. We also noted that one payee had a criminal history for disorderly conduct, and another payee had a judgment for forcible entry. These charges were from 2004 and 2011, respectively. The Agency did have a national policy implemented in February 2014 to bar certain individuals convicted of specific types of felonies from being selected as a representative payee.¹⁶

Previous OIG Reviews

Since 2007, we have conducted seven in-depth reviews of high-volume individual payees. We compared our findings in these reports to the Agency's results from its site reviews for each payee. We noted that our reviews identified several consistent issues, as documented in Figure 3, but the Agency did not always identify similar findings. See Appendix B for a list of the prior OIG reports. For example, we noted that for our most recent review, the payee had many issues including (1) collecting unallowable fees for representative payee services; (2) not notifying SSA when a beneficiary's living arrangements changed, resulting in an overpayment to the beneficiary; (3) not recording beneficiaries' transactions timely, which resulted in overdraft fees; (4) not maintaining sufficient support for payments made to related parties; and (5) collecting excessive guardianship fees. SSA completed a review of this payee with the assistance of the certified public accounting firm 3 months before we began our review. According to the results of its review, the Agency noted no major problems that required follow up.

¹⁶ SSA, POMS, GN 00502.133 (February 27, 2014).

Figure 3: OIG Review Findings



During our review of the seven payees, we determined they all had collected unallowable and/or excessive fees. SSA's procedures prohibit individual representative payees from collecting a fee from SSA benefits for representative payee services except in certain circumstances, such as court-ordered fees, including fees for serving as a court-appointed legal guardian.¹⁷ We noted that six of the payees collected a total of \$52,866 in unallowable fees from beneficiaries for whom they served only as payee. In addition to the unallowable fees, two of those six payees also collected additional excessive guardianship fees of approximately \$182,000.

For example, one payee served only as the representative payee for one beneficiary whom the payee charged \$1,592 for unallowable fees. In addition, for 34 of 80 beneficiaries, the payee collected extra fees totaling \$49,423 above the allowed monthly guardianship fee of \$60. This payee also collected large fees, totaling \$113,526, from 21

¹⁷ SSA, POMS, GN 00602.110 (March 5, 2002), SSA, POMS, GN 00602.040 (July 21, 2009); SSA, *A Guide for Representative Payees*, (Publication No. 05-10076), July 2015.

of the 80 beneficiaries. According to the accounting records, over 50 percent of these beneficiaries received only Social Security benefits. The payee did not always charge these beneficiaries a monthly fee but were billed through the representative payee's case management company. According to the representative payee, it collected these fees as past-due guardianship fees from prior years of service or services provided by her case management company. At the conclusion of our review for this payee, we referred this matter to our Office of the Counsel to the Inspector General for Civil Monetary Penalty consideration. Counsel initiated a Civil Monetary Penalty action, and the OIG and the representative payee reached a settlement agreement.¹⁸ As of November 2015, this payee was still caring for 72 beneficiaries as listed in RPMA.

We noted the second payee, inappropriately took fees totaling \$955 from several beneficiaries for whom she was not their legally appointed guardian. In addition, the payee collected a fee from the courts while also collecting a fee from the beneficiaries' bank accounts. These duplicate payments totaled \$18,630.¹⁹ As of November 2015, this payee was still caring for 148 beneficiaries as listed in RPMA.

We noted the remaining payee collected conservatorship and trustee fees from a large number of beneficiaries in its care. Most of these beneficiaries received other sources of income, such as pensions, Department of Veterans Affairs benefits, and rental income. However, for 15 beneficiaries, SSA benefits were their only source of income. The payee collected fees that were over 50 percent of the SSA benefits for these 15 beneficiaries. The fees totaled approximately \$82,000.²⁰ At the conclusion of our review, this payee became an organizational payee. As of November 2015, this payee was still caring for 102 beneficiaries as listed in RPMA.

We also identified three payees who used related parties²¹ to provide services to the beneficiaries. For example, one payee owned a room and board facility that housed some of its beneficiaries. The payee did not maintain documentation of the rent amounts for some of the beneficiaries who lived at the facility. The facility manager of this property was a member of the payee's family. This payee also issued checks totaling over \$1,000 to another family member for property clean-up and transportation services.

¹⁸ SSA OIG, *An Individual Representative Payee for the Social Security Administration in Michigan* (A-15-09-19062), March 3, 2011.

¹⁹ SSA OIG, *Chicago Region Large Volume Individual Representative Payee for the Social Security Administration* (A-15-13-13113), May 23, 2014.

²⁰ SSA OIG, *An Individual Representative Payee for the Social Security Administration in Los Angeles, California* (A-15-09-19150), March 31, 2010.

²¹ A related-party transaction is an interaction between two parties, one of whom can exercise control or significant influence over the operating policies of the other.

We found another payee employed immediate family members as office staff and used other family members to provide services to 122 beneficiaries. The payee paid over \$80,000 to various family members for these services. Our review found that some of the charges appeared excessive. For instance, one of the family members charged \$50 an hour to pick a beneficiary up from their home and sit with them at the emergency room until they were admitted.

Additionally, we noted that two payees did not issue and use cashier's checks properly. Cashier's checks are issued by a bank. Unlike personal checks, cashier's checks immediately debit the account when the bank issues them. We noted that, for 29 beneficiaries, 1 payee could not adequately support cashier's checks issued from their accounts. These checks totaled \$69,300. According to the representative payee, it used these checks to pay the representative payee's case management company invoices, for funeral arrangements, and SSA overpayments.

For the five payees in the "other" review findings category, we noted (1) two used a collective bank account that did not meet SSA policies, (2) one did not transfer all a beneficiary's funds to the new payee, and (3) two did not comply with SSA reporting policies.

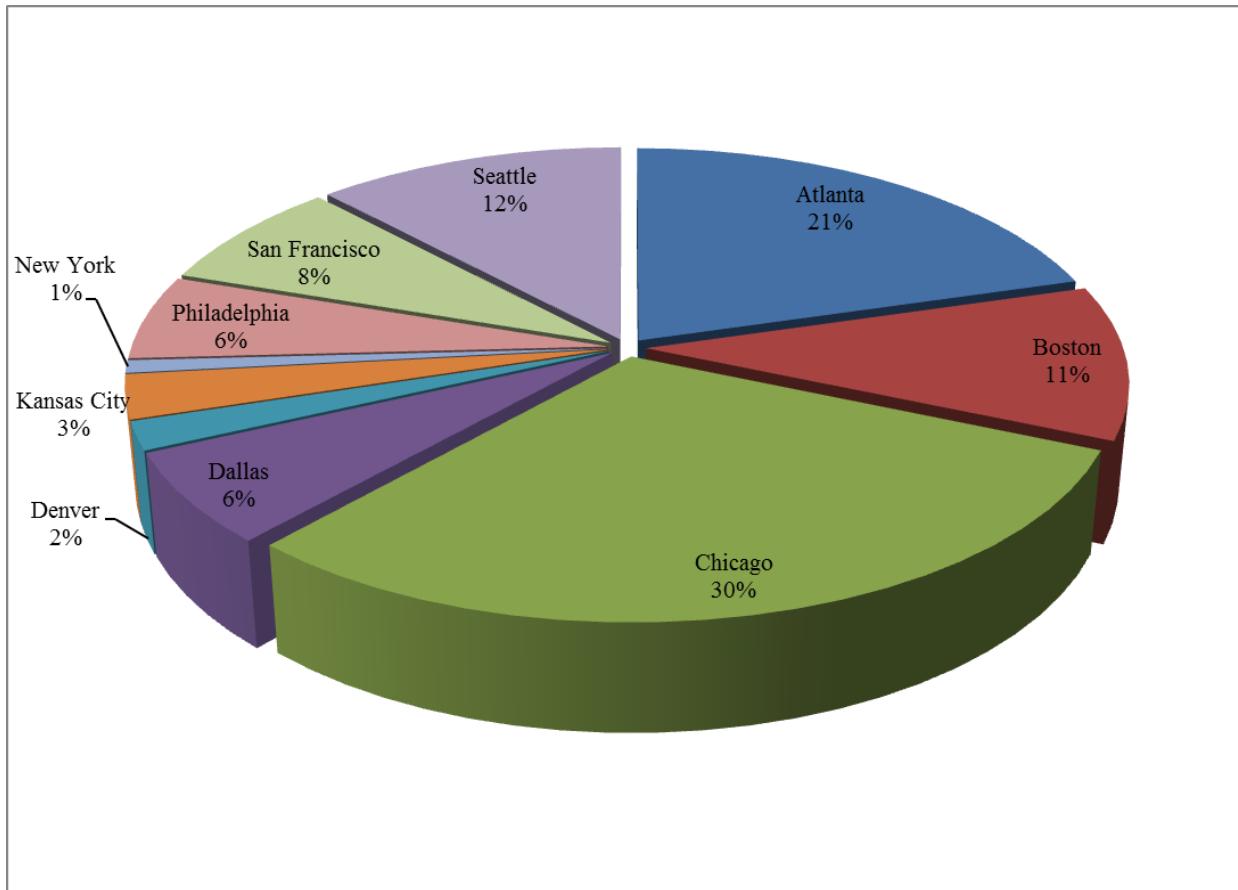
Finally, we noted three payees had recordkeeping issues. Although we were unable to validate how they spent the money, there was no indication the beneficiaries' needs were not being met.

In all seven reviews, we identified issues with the representative payees' inappropriate collection of fees. Based on our review conclusions, we believe SSA should identify similar findings in its continuous monitoring program. As the Agency did not, we believe it should adjust its monitoring program, as appropriate.

Volume Individual Payees with Fewer Than 50 Beneficiaries

During our October 2014 review of RPMA, we identified 449 payees who were categorized as high-volume individual payees caring for between 15 and 49 beneficiaries. These payees cared for approximately 10,000 beneficiaries and were located in all 10 regions as summarized below.

Figure 4: Regions for High Volume Individual Payees with Fewer Than 50 Beneficiaries



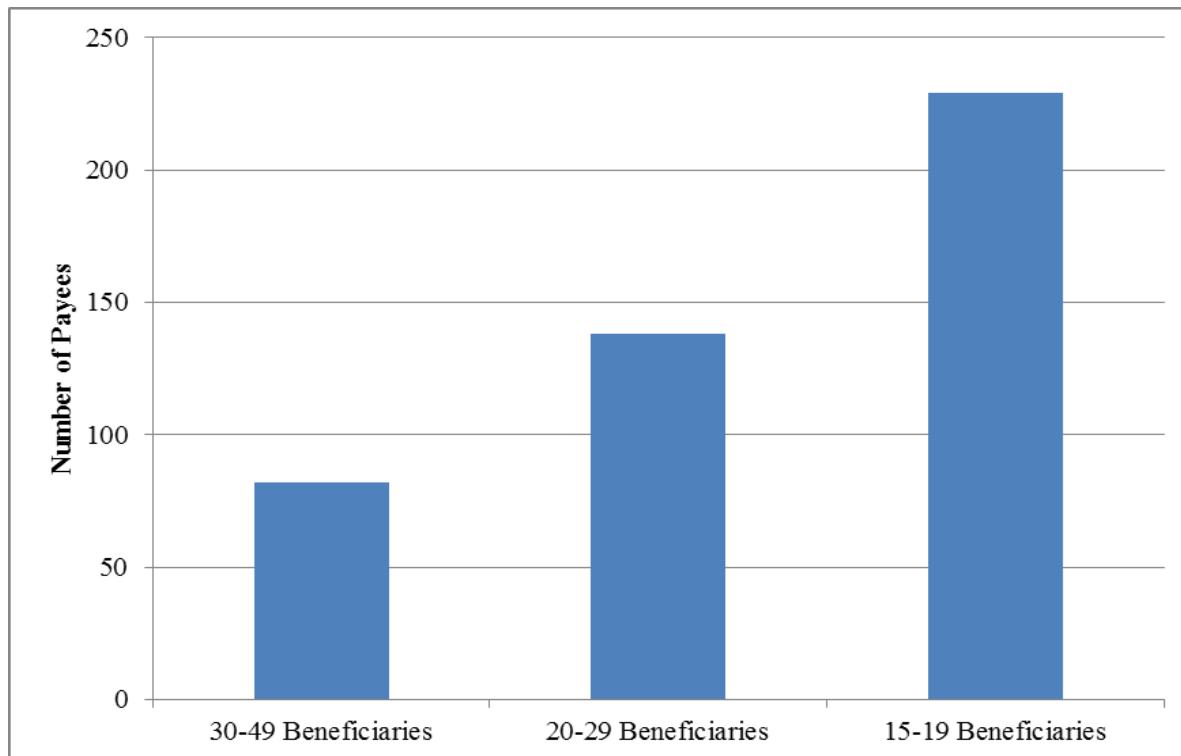
Again, the highest percentage of the payees was located in the Chicago Region. Of the total population of beneficiaries in these payees' care, approximately 30 percent was located in the Chicago Region.

In addition, we reviewed an SSA management report showing the total Recipients in Force (RIF) and Beneficiaries in Force.²² According to the report, as of December 2014, there were approximately 70 million people receiving benefit payments. Of that total, 11.5 million (approximately 16 percent) were located in the Chicago Region. Based on this report, it appeared a higher percentage of beneficiaries with representative payees are concentrated in the Chicago Region than beneficiaries in total.

We also noted that the majority of the representative payees had between 15 and 19 beneficiaries in their care. See Figure 5 below.

²² RIF is the number of recipients for Federal and/or State Supplemental Security Income payments. Beneficiaries in Force is the number of beneficiaries receiving Retirement, Survivors, or Disability Insurance payments as well as those entitled to health insurance only.

Figure 5: Number of Beneficiaries in the Representative Payees' Care



CONCLUSIONS

Some beneficiaries must rely on a representative payee to receive and disburse SSA benefit payments for them. Because the Agency approves representative payee applications—and these payees serve some of SSA's most vulnerable beneficiaries—we believe it is important that the Agency provide sufficient oversight. Specifically, we believe SSA should ensure the payees use and account for benefit payments in accordance with Agency policies and procedures.

Representative payees have many responsibilities that include daily monitoring of the beneficiaries' well-being. For volume individual payees who care for more than 15 beneficiaries, the amount of monitoring can be difficult and time-consuming. SSA's current policy does not permit high-volume individual payees to collect a fee as reimbursement for their services except in certain circumstances, such as court-ordered fees, including fees for serving as a court appointed legal guardian. When SSA appoints an individual as a legal guardian for a beneficiary, part of the beneficiary's funds may be used for customary guardianship costs and court-ordered fees. These fees may be collected provided the guardianship appears to be in the beneficiary's best interest; beneficiary's personal needs are met first; and beneficiary's funds would not be depleted by the collection of guardianship fees.

During our prior reviews of seven high-volume individual payees, we noted that all seven collected fees and many in excessive amounts to compensate for their services. We noted that six of the payees collected a total of \$52,866 in unallowable fees from beneficiaries for whom they served only as payee. In addition to the unallowable fees, two of those six payees also

collected additional excessive fees guardianship of approximately \$182,000. Because the payees who also serve as court-appointed guardians are allowed to collect fees in the best interest of the beneficiaries, SSA should monitor these payees more closely to ensure the fees are within the limits of the policy.

SSA's site reviews of 43 high-volume individual payees with 50 or more beneficiaries only identified 4 who collected fees, and 3 were determined to be unallowable. Although we did not test the accuracy of the results from SSA's site reviews, we believe SSA could improve its site reviews by adopting some tests the OIG performs in its audits of representative payees.

RECOMMENDATIONS

We recommend that SSA enhance its continuous monitoring program to help identify the issues consistently found by the OIG in its audits of high-volume individual representative payees by:

1. Requiring a more in-depth review of accounting records including verifying all disbursements for the 12-month period for a selected sample of beneficiaries.
2. Requiring a more in-depth review of payees who are also serving as court-appointed guardians to ensure they are collecting fees that are reasonable and in accordance with policy.

AGENCY COMMENTS

SSA agreed with the recommendations. The full text of SSA's comments are included in Appendix F.

OTHER MATTERS

In September 2015, our Office of Investigations informed us that the Washington County Grand Jury had indicted 1 of the payees in the Seattle Region for 81 criminal counts including criminal mistreatment in the first degree, aggravated theft, and income tax evasion. This payee was included in our population of the 449 payees caring for between 15 and 49 beneficiaries. She had 45 beneficiaries in her care when the investigation was initiated in October 2014. According to available information, the representative payee filed for bankruptcy in 2001, and a Federal tax lien was filed in 2004 before she became a payee for SSA. Given the fiduciary responsibilities of a representative payee, it may be inappropriate to give those responsibilities to an individual who has claimed a personal bankruptcy and/or has a Federal tax lien.



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Assistant Inspector General for Audit

APPENDICES

Appendix A – REPRESENTATIVE PAYEE RESPONSIBILITIES

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

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

¹ 20 C.F.R. §§ 404.2035, and 416.635; SSA, *A Guide for Representative Payees*, (Publication No. 05-10076), July 2015; SSA, POMS, GN 00603.001 (November 15, 2004); SSA, POMS, GN 00602.001 (March 5, 2002); SSA, POMS, GN 00605.001 (May 15, 2013).

Appendix B – PRIOR OFFICE OF THE INSPECTOR GENERAL REPORTS

Over the past several years, the Social Security Administration (SSA), Office of the Inspector General (OIG) has conducted seven in depth reviews of volume individual representative payees. Below is a listing of the previously issued reports:

1. SSA OIG, *Chicago Region Large Volume Individual Representative Payee for the Social Security Administration* (A-15-13-13113), May 23, 2014.
2. SSA OIG, *An Individual Representative Payee for the Social Security Administration in Michigan* (A-15-09-19062), March 3, 2011.
3. SSA OIG, *An Individual Representative Payee for the Social Security Administration in Grand Rapids, Michigan* (A-15-10-11077), February 23, 2011.
4. SSA OIG, *An Individual Representative Payee for the Social Security Administration in Los Angeles, California* (A-15-09-19150), March 31, 2010.
5. SSA OIG, *Individual Volume Representative Payee in Hartford, Connecticut* (A-15-08-28093), November 4, 2008.
6. SSA OIG, *Individual Volume Representative Payee in Topeka, Kansas* (A-07-08-18039), August 28, 2008.
7. SSA OIG, *An Individual Representative Payee for the Social Security Administration in the San Francisco Region* (A-09-07-17063), July 3, 2007.

Appendix C – SCOPE AND METHODOLOGY

To complete this review, we:

- Reviewed applicable sections of the *Social Security Act*, Federal regulations, and the Social Security Administration's (SSA) policies and procedures pertaining to representative payees.
- Reviewed prior Office of the Inspector General audits of high-volume individual representative payees.
- Compiled a list of all high-volume individual representative payees as of October 2014 from the Philadelphia regional Intranet site (Philanet), Representative Payee Monitoring Application.
- Identified 47 high-volume individual representative payees caring for 50 or more beneficiaries. For these payees, we reviewed:
 - the Agency's results documented from the site reviews,
 - LexisNexis, and
 - information obtained through Internet searches.
- Identified an additional 449 high-volume individual representative payees caring for 15 to 49 beneficiaries.

We did not test any of the data used to assess reliability. We relied on the data that were available to meet the objective of our review.

The performance period for this review was from May to July 2015 in Baltimore, Maryland. This review was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix D – HIGH VOLUME INDIVIDUAL REPRESENTATIVE PAYEES WITH 50 OR MORE BENEFICIARIES

The table below details the high volume payees with 50 or more beneficiaries.

Table D–1: High Volume Payees with 50 or More Beneficiaries¹

Payee Number	Number of Beneficiaries	Region
1	226	Boston
2	186	Boston
3	154	Chicago
4	148	Chicago
5	141	Chicago
6	115	Chicago
7	112	Dallas
8	104	Chicago
9	103	Chicago
10	102	Chicago
11	98	Chicago
12	98	Chicago
13	95	Atlanta
14	87	Atlanta
15	86	Philadelphia
16	85	Philadelphia
17	82	Philadelphia
18	78	Chicago
19	77	Chicago
20	76	Philadelphia
21	76	Atlanta
22	74	Philadelphia
23	74	Chicago
24	74	Chicago
25	74	Chicago
26	72	Atlanta

¹ The number of beneficiaries was based on the Representative Payee Monitoring Application as of October 2014.

Payee Number	Number of Beneficiaries	Region
27	72	Chicago
28	70	San Francisco
29	69	Boston
30	69	San Francisco
31	68	Boston
32	68	Chicago
33	68	San Francisco
34	67	Chicago
35	66	Chicago
36	64	Atlanta
37	57	Chicago
38	56	Seattle
39	55	Boston
40	55	Atlanta
41	55	Chicago
42	53	Boston
43	53	Chicago
44	51	Boston
45	51	Chicago
46	50	Boston
47	50	Chicago

Appendix E – PRIOR OFFICE OF THE INSPECTOR GENERAL RECOMMENDATIONS

Because of the Office of the Inspector General's (OIG) prior reports regarding individual high-volume payees, we made the following recommendations to the Social Security Administration (SSA) specific to each individual payee.

1. SSA OIG, *Chicago Region Large Volume Individual Representative Payee for the Social Security Administration* (A-15-13-13113), May 23, 2014. We recommended SSA:
 - Refrain from placing additional beneficiaries with this representative payee until a thorough review of the payee's accounting and reporting practices is performed.
 - Instruct the representative payee on the proper handling of benefit payments in accordance with SSA's policies.
 - Determine whether a new payee should be appointed or the beneficiaries no longer need a payee in the noted cases of the payee acting as conduit.¹
 - Determine whether the payee is charging fees for guardian and conservator services in accordance with SSA's policy. If SSA determines these fees are inconsistent, it should ensure the payee reimburses the beneficiary.
 - Review the payee's financial stability to determine whether the payee can continue providing representative services to the high volume of beneficiaries.
 - Develop procedures to require that high volume individual representative payees have bond coverage and financial credit risk reviews.
2. SSA OIG, *An Individual Representative Payee for the Social Security Administration in Michigan* (A-15-09-19062), March 3, 2011. We recommended SSA:
 - Refrain from placing additional beneficiaries with this individual payee until a thorough review of the payee's accounting practices (specifically, the use of family members performing services for the beneficiaries; using cashier's checks without proper supporting documentation; and making large purchases without supporting documentation) has been performed. At the conclusion of this review, determine whether the current beneficiaries should remain in the representative payee's care.
 - Perform a more in-depth review of the beneficiaries' accounting records to ensure they are not being charged excessive fees through the representative payee's case management business; and that funds are conserved for the beneficiaries' future needs.

¹ Conduit payees turn over the full amount of the benefit payment to the beneficiary, another person, or a facility. Therefore, they do not exercise control over the funds and cannot fully account for how funds are spent.

- Consider seeking restitution of \$1,592 on the behalf of the one beneficiary from whom the representative payee collected unallowable fees from September 2006 through August 2008.
 - Work with independent accounting firms hired to conduct triennial reviews of representative payees to obtain access to the firm's work papers to support the results of the work completed.
3. SSA OIG, *An Individual Representative Payee for the Social Security Administration in Grand Rapids, Michigan* (A-15-10-11077), February 23, 2011. We recommended that SSA instruct the payee to:
- Maintain sufficient documentation for all the beneficiaries it serves to support that Social Security benefits are used in the best interest of the beneficiaries.
 - Maintain a cash receipt log for cash disbursements to beneficiaries.
 - Follow SSA's requirements for the proper titling of individual bank accounts.
 - Place beneficiaries' conserved funds of \$500 or more in an interest-bearing account or a relatively risk-free investment.
 - Follow SSA's requirements for the use of collective bank accounts.
 - Implement internal and physical security controls to safeguard beneficiaries' financial records, personally identifiable information (PII), and assets.
 - Implement adequate segregation of duties for the disbursement of benefits.
4. SSA OIG, *An Individual Representative Payee for the Social Security Administration in Los Angeles, California* (A-15-09-19150), March 31, 2010. We recommended that SSA:
- Refer the 15 beneficiaries who had over 50 percent of their Social Security benefits taken in fees, and these benefits were their only source of income, to the Regional Chief Counsel for review.
5. SSA OIG, *Individual Volume Representative Payee in Hartford, Connecticut* (A-15-08-28093), November 4, 2008. We recommended that SSA:
- Refrain from placing additional beneficiaries with this individual representative payee until the representative payee has implemented corrective actions to ensure Social Security benefits are properly used and accounted for.
 - Take appropriate actions to seek restitution of \$3,965 on behalf of the 15 beneficiaries from whom the representative payee collected unallowable fees from January 1 through December 31, 2007.
 - Instruct the representative payee to inform SSA of events that may affect individuals' entitlement or benefit payment amount in a timely manner.
 - Instruct the representative payee to implement physical security controls to safeguard beneficiaries' financial records and assets.

- Ensure the corrective actions stated in SSA's June 11, 2008 letter to the representative payee are completed.
 - Review the independent accounting firm's work conducted at the other 15 representative payees to determine if follow-up reviews need to be performed.
6. SSA OIG, *Individual Volume Representative Payee in Topeka, Kansas* (A-07-08-18039), August 28, 2008. We recommended that SSA:
- Refrain from placing additional beneficiaries with this individual representative payee until the representative payee has implemented corrective actions to ensure Social Security benefits are properly used and accounted for. If these corrective actions are not implemented timely, place each of this representative payee's beneficiaries with a new representative payee.
 - Take appropriate actions to seek restitution of \$33,521 on behalf of the 45 beneficiaries from whom the representative payee collected unallowable fees during period July 1, 2005 through June 30, 2007.
 - Determine whether the representative payee collected unallowable fees from beneficiaries from July 1, 2007 to the present, take appropriate actions to seek restitution on behalf of the affected beneficiaries, and instruct the payee to discontinue collecting unallowable fees.
 - Remind the representative payee to return conserved funds to SSA when representative payee services for a beneficiary cease.
 - Instruct the representative payee to monitor Supplemental Security Income (SSI) beneficiaries' account balances monthly to avoid excess resources.
 - Remind the representative payee to maintain sufficient documentation to show that Social Security benefits are used in the best interest of the beneficiaries.
 - Instruct the representative payee to follow SSA's requirements for the use of collective bank accounts.
 - Remind the representative payee to implement physical security controls to safeguard beneficiaries' financial records, PII, and cash funds.
 - Determine whether the beneficiaries for whom the representative payee is not the payee of record should be assigned a representative payee.
7. SSA OIG, *An Individual Representative Payee for the Social Security Administration in the San Francisco Region* (A-09-07-17063), July 3, 2007. We recommended that SSA ensure the representative payee:
- Submits Representative Payee Applications for the three beneficiaries in the previous representative payee's care.
 - Retains supporting documentation for its expenditures and provides sufficient justification for any adjustments to payment amounts.

- Reports all Special Needs Trusts and Life Insurance Funded Burial Contracts to SSA for its review in evaluating whether these items are exempt from SSI resource limits.
- Uses actual rather than estimated expenses to complete the Representative Payee Reports for all beneficiaries in its care.
- Returns conserved funds to SSA for any beneficiaries who are no longer in its care.
- Maintains accounting records for the receipt and disbursement of Social Security benefits for all beneficiaries regardless of monthly benefit amount.
- Discontinues charging telephone calls and case management fees to beneficiaries who receive only Social Security benefits.

SSA agreed with all recommendations.

As of November 2015, three payees were still actively serving as high-volume individual payees, one payee converted to fee-for-service, one payee converted to an organizational payee, and the remaining two payees were no longer listed in Philanet.

Appendix F – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 28, 2015 **Refer To:** S1J-3

To: Patrick P. O’Carroll, Jr.
Inspector General

From: Frank Cristaudo /s
Executive Counselor to the Commissioner

Subject: The Office of the Inspector General (OIG) Draft Evaluation Report, “Volume Individual Representative Payees” (A-15-16-50034) -- INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT
EVALUATION REPORT, “VOLUME INDIVIDUAL REPRESENTATIVE PAYEES” (A-
15-16-50034)**

General Comments

Our representative payee-monitoring program helps us to ensure that representative payees are properly managing the funds they receive on behalf of beneficiaries. We are expanding our monitoring program to increase the number and extent of our payee site reviews, which will strengthen our level of program oversight.

Recommendation 1

Requiring a more in-depth review of accounting records including verifying all disbursements for the 12-month period for a selected sample of beneficiaries.

Response

We agree. In Fiscal Year (FY) 16, we will implement a contractor-led business process that will require a more in depth review of accounting records, including the verification of all disbursements for the 12-month period for a selected sample of beneficiaries.

Recommendation 2

Requiring a more in-depth review of payees who are also serving as court-appointed guardians to ensure they are collecting fees that are reasonable and in accordance with policy.

Response

We agree. In FY 16, we will update our program operating manual instructions to require a more in-depth review of payees, who are also serving as court-appointed guardians, to ensure that any fees they are collecting are reasonable and in accordance with policy.

Appendix G – ACKNOWLEDGMENTS

Vicki Vetter, Director, Financial Audit Division

Judith Kammer, Audit Manager

Kelly Stankus, Senior Auditor

Kimberly Beauchamp, Writer-Editor

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