



SOCIAL SECURITY

MEMORANDUM

Date: April 30, 2003

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Site Reviews of Representative Payees
(A-13-01-11042)

The attached final report presents the results of our audit. Our objectives were to (1) assess the Social Security Administration's (SSA) representative payee site review methodology, (2) evaluate the sufficiency and reliability of the documentation that supports the conclusions and recommendations made during SSA's site reviews, (3) test for compliance with SSA site review requirements, and (4) determine whether SSA has taken appropriate follow-up action to ensure identified deficiencies are corrected.

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



James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY
ADMINISTRATION'S SITE REVIEWS
OF REPRESENTATIVE PAYEES**

April 2003 A-13-01-11042

AUDIT REPORT



Mission

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

Authority

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

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

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

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

Vision

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

Executive Summary

OBJECTIVE

Our objectives were to (1) assess the Social Security Administration's (SSA) representative payee site review methodology, (2) evaluate the sufficiency and reliability of the documentation that supports the conclusions and recommendations made during SSA's site reviews, (3) test for compliance with SSA site review requirements, and (4) determine whether SSA has taken appropriate follow-up action to ensure identified deficiencies are corrected.

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 (Rep Payees) to receive and manage these beneficiaries' payments. SSA conducts site reviews of Rep Payees. The purposes of the site reviews are to educate Rep Payees about Social Security matters, take a close look at how beneficiaries' funds are managed, assess the Rep Payee's recordkeeping, interview beneficiaries, and detect and deter fraud and abuse. The site reviews are conducted to ensure Rep Payee compliance through a face-to-face meeting and examination of a sample of beneficiary records.

In June 2000, SSA began triennial site reviews of 810 organizational Rep Payees serving 100 or more beneficiaries, 736 fee-for-service Rep Payees, and 209 individuals who serve as Rep Payees for 20 or more beneficiaries. SSA completed approximately 536 of these reviews from June 2000 through March 2001. To perform our audit, we selected 30 of SSA's completed site reviews.

RESULTS OF REVIEW

- SSA's site review methodology should be modified to better ensure Rep Payees are using benefits only for the benefit of the beneficiaries. Specifically, the review methodology
 - lacks guidance for evaluating results of the site reviews,
 - does not specify the number of beneficiaries to be interviewed, and
 - does not require a review of Representative Payee Reports (RPR).
- SSA review teams did not always maintain sufficient and reliable documentation to support conclusions and recommendations made during the site reviews.
 - Review teams did not retain site review documentation.

- Reviews were incorrectly classified and reported.
- SSA review teams did not always comply with site review requirements.
 - The review teams did not review the required number of beneficiary records.
 - Results of site reviews were not reported to Rep Payees.
 - Review results were not annotated in the Rep Payee System.
- SSA review teams did not always determine whether the Rep Payee took action to correct deficiencies identified during site reviews.

OTHER MATTER

Rep Payee Fraud - For one of SSA's site reviews, the Rep Payee informed SSA it had discovered problems when preparing for the Social Security review. The Rep Payee informed SSA that a former employee was suspected of theft of SSA funds. However, SSA permitted the Rep Payee to determine the extent of employee theft and accepted the Rep Payee's findings. Finally, the suspected theft was never reported to the Office of the Inspector General for investigation.

CONCLUSION AND RECOMMENDATIONS

Our audit identified several areas for SSA to improve its site review methodology; the sufficiency and reliability of documentation gathered during site reviews; compliance with its site review requirements; and its follow-up actions when deficiencies are identified. These weaknesses limit SSA's ability to determine whether Rep Payees are using SSA benefits only for the beneficiaries' benefit.

We recommend that SSA:

1. Develop criteria so review teams can determine whether Rep Payees are adequately fulfilling their responsibilities to the beneficiaries they serve.
2. Revise the site review methodology to provide guidance to determine the sufficient number of beneficiary interviews that should be completed during site reviews.
3. Modify the site review methodology to require an assessment of the RPR.
4. Ensure appropriate documentation is obtained and maintained to support the conclusions and recommendations of the site reviews.

- ~~5. Require the regional offices to verify with Headquarters the type of review completed.~~

Based on the Agency's comments (See Appendix B), we agree with the Agency's position that field offices are more experienced in conducting reviews and reporting the results of reviews accurately, therefore we deleted this recommendation.

6. Develop oversight mechanisms to ensure compliance with the site review policy.
7. Follow up to ensure identified Rep Payee deficiencies are corrected in a timely manner.

AGENCY COMMENTS

SSA generally agreed with our recommendations. However, SSA agreed only in principle with Recommendation 3 and disagreed with Recommendation 5.

Regarding Recommendation 3, SSA agreed with the idea of considering the importance of RPRs during site visits. As such, the Agency intends to modify its policy to require that reviewers ensure Rep Payees do not have outstanding RPRs and stress the importance of Rep Payees understanding the need for accurate and timely reporting. SSA also stated requiring an assessment of the RPRs as part of the site review is unproductive, serves a different purpose, and covers different time periods. Also, SSA believes the review period covered by the triennial site visits would not coincide with varying reporting periods on the RPRs.

With respect to Recommendation 5, SSA disagreed, and stated the Agency is in its third year under the expanded Rep Payee monitoring plan, and field offices are more experienced in conducting reviews and reporting the results of reviews accurately. In addition, the Agency stated further improvement of the process will occur with more experience. See Appendix B for the full text of SSA's comments.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

We believe the Agency's planned action is desirable and useful. However, we continue to believe a review of RPRs would be a productive endeavor.

Agency policy states the RPR "is used to monitor how the payee spent and/or saved the benefits on behalf of the beneficiary, and identify situations where representative payment may no longer be appropriate or the payee may no longer be suitable."¹ The review of the RPR would provide useful information in determining whether Rep Payees are performing their duties in accordance with SSA policies and procedures. In February 2003, SSA established an electronic imaging system that will image and electronically store all RPR forms. The imaging system should improve the Agency's ability to timely obtain RPRs. SSA should consider using this information when it

¹ Program Operations Manual System, GN 00605.001

becomes more readily available. We recognize the RPR may cover a different reporting period than the site review period. However, for a given 12-month period, SSA could verify the reasonableness of the reported benefits and expenses listed on RPRs to the Rep Payee's records.

Table of Contents

	Page
INTRODUCTION.....	1
RESULTS OF REVIEW	4
Site Review Methodology	4
• Methodology Lacked Guidance for Evaluating Results of The Site Reviews	4
• Lack of Guidance Can Result in Insufficient Beneficiary Interviews.....	5
• Methodology Did Not Require a Review of Representative Payee Reports.....	5
Sufficient and Reliable Documentation to Support Site Reviews.....	6
• Review Teams Did Not Retain Site Review Documentation	6
• Reviews Were Incorrectly Classified and Reported	8
Compliance with Site Review Requirements	9
• Review Teams Did Not Review the Required Number of Beneficiary Records	9
• Results of Site Reviews Were Not Reported to Rep Payees	10
• Review Results Were Not Annotated in Representative Payee System.....	10
SSA Follow-up Actions for Identified Deficiencies	11
CONCLUSION AND RECOMMENDATIONS	13
OTHER MATTER.....	15
APPENDICES	
APPENDIX A—Summary of Beneficiary Interviews for 26 Completed Site Reviews	
APPENDIX B—Agency Comments	
APPENDIX C—OIG Contacts and Staff Acknowledgments	

Acronyms

OASDI	Old-Age, Survivors and Disability Insurance
Rep Payee	Representative Payee
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
RPR	Representative Payee Report

Introduction

OBJECTIVE

Our objectives were to (1) assess the Social Security Administration's (SSA) representative payee site review methodology, (2) evaluate the sufficiency and reliability of the documentation that supports the conclusions and recommendations made during SSA's site reviews, (3) test for compliance with SSA site review requirements, and (4) determine whether SSA has taken appropriate follow-up action to ensure identified deficiencies are corrected.

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 (Rep Payees) to receive and manage these beneficiaries' payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when it serves the individual's best interests. A Rep Payee is required to use the benefits only for the beneficiaries'¹ use and benefit.

Rep Payee's duties include:

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

¹ The term "beneficiary" is used generically in this report to refer to both OASDI beneficiaries and SSI recipients.

There are about 5.4 million Rep Payees who manage benefits for about 7.6 million beneficiaries.

To protect the interest of incapable beneficiaries, SSA implemented an increased monitoring plan for fee-for-service and volume Rep Payees. The increased monitoring plan includes the following features.

6-month Site Visits - SSA visits fee-for-service Rep Payees 6 months after initial appointment to ensure they fully understand their duties and responsibilities and are on the "right track" with respect to recordkeeping and reporting.

Random Reviews - SSA conducts reviews of a random sample (30 percent) of volume and fee-for-service Rep Payees. These reviews consist of interviews with the Rep Payees, custodians and beneficiaries. In addition, SSA reviews three beneficiaries' financial records to determine whether the Rep Payee is complying with SSA's policies and procedures.

Triennial Site Reviews - SSA conducts site reviews for fee-for-service and volume Rep Payees serving 100 or more beneficiaries.² In addition, these reviews include individuals who serve as payee for 20 or more beneficiaries. The purposes of the site reviews are to educate Rep Payees about Social Security matters, take a closer look at how beneficiaries' funds are managed, and detect and deter fraud and abuse. Site reviews are intended to ensure Rep Payee compliance through a face-to-face meeting and examination of a sample of beneficiary records. The reviews also include an assessment of the Rep Payee's recordkeeping and interviews of beneficiaries.

In June 2000, SSA began triennial site reviews of 810 organizational Rep Payees serving 100 or more beneficiaries, 736 fee-for-service Rep Payees³ and 209 individuals who serve as Rep Payee for 20 or more beneficiaries. SSA reported it had completed approximately 536 of these reviews from June 2000 through March 2001. To perform our audit, we selected 30 of these reviews.

SCOPE AND METHODOLOGY

Our audit covered site reviews completed from June 2000 through March 2001. To accomplish our objectives, we:

- Reviewed SSA's policies and procedures for conducting site reviews of Rep Payees.

² SSA has authorized fee-for-service Rep Payees to collect a fee for providing Rep Payee services. Volume organization Rep Payees serve 100 or more beneficiaries and volume individual Rep Payees serve 20 or more beneficiaries.

³To qualify as a fee-for-service Rep Payee, the Rep Payee must be (1) a community based, nonprofit social service agency or organization that is bonded or licensed in the State in which they serve; or a State or local Government agency with responsibility for income maintenance, social service, health care, or fiduciary responsibilities; (2) regularly serving at least five beneficiaries; and (3) not a creditor of the beneficiary.

- Obtained from SSA a listing of site reviews completed from June 2000 through March 2001.
- Selected a random sample of 30 site reviews that SSA reported as completed from June 2000 through March 2001. However, we only examined 26 site reviews completed by SSA because SSA incorrectly classified and/or reported 4 of the 30 site reviews selected. See the *Results of Review* section of this report for further discussion of this issue.
- For each of the 26 completed reviews, we reviewed documentation to determine whether SSA
 - selected and reviewed appropriate samples of beneficiaries,
 - interviewed Rep Payees and beneficiaries,
 - reviewed beneficiaries' financial records,
 - contacted vendors who provided goods and services,
 - sent Rep Payees "close-out" letters,⁴
 - followed up on deficiencies identified during reviews,
 - completed Site Review Checklists⁵, and
 - properly annotated results of the reviews in the Representative Payee System (RPS).
- Observed SSA conducting two site reviews: one in Morgantown, West Virginia, and one in San Antonio, Texas.
- We did not independently determine whether SSA properly identified all Rep Payee deficiencies. Therefore, we make no assertion that SSA's site reviews are achieving their intended goal.

We performed our audit in Baltimore, Maryland; Morgantown, West Virginia; and San Antonio, Texas, from June 2001 through June 2002. The entities audited were SSA's Offices of Disability and Income Security Programs and Operations. We conducted our audit in accordance with generally accepted government auditing standards.

⁴ A close-out letter advises the Rep Payee of any deficiencies detected and what actions are needed to correct them. In addition, the letter provides target dates and followup to ensure the deficiencies are corrected.

⁵ The Site Review Checklist is a document used to collect information, such as the number of beneficiaries served, the number of staff, the flow of receipts and disbursements, and the accounting system, used by the Rep Payee.

Results of Review

Our audit showed that:

- SSA's site review methodology should be modified to better ensure Rep Payees are using benefits only for the benefit of the beneficiaries.
- SSA review teams did not always retain sufficient and reliable documentation to support conclusions and recommendations made during the site reviews.
- SSA review teams did not always comply with site review requirements.
- SSA review teams did not always determine whether the Rep Payee took action to correct deficiencies identified during site reviews.

SITE REVIEW METHODOLOGY

SSA site review policy⁶ provides an overall methodology for conducting site reviews of Rep Payees. Policy requires that an interview/meeting be held with the administrators of the Rep Payee organization. In addition, a review must be completed of accounting records for the past year for a sample of beneficiaries. After reviewing the accounting records, beneficiaries should be interviewed. The beneficiary interviews are conducted to determine whether beneficiaries' needs are being met and to determine whether they are experiencing problems with the Rep Payee.

***Methodology Lacked
Guidance for Evaluating
Results of the Site Reviews***

SSA's site review policy states that the basic goal of the site review is to determine whether the Rep Payee (1) continues to be qualified and (2) is performing "good Rep Payee services." However, policy neither provides guidance for evaluating the Rep Payee qualifications nor discusses what are considered as "good Rep Payee services."

Our audit showed that SSA review teams identified problems with the Rep Payees' financial records and/or services provided to beneficiaries. For example, problems were found for 10 of the 26 site reviews we examined. During these reviews, SSA identified

- five Rep Payees that did not maintain records of beneficiary expenses,
- five Rep Payees that did not report events that affected beneficiary eligibility,
- two Rep Payees that did not have proper titling of bank accounts, and
- one Rep Payee that improperly used one beneficiary's funds to pay for another beneficiary's expenses.

⁶ EM-0072, *Increased Monitoring of Fee-for Service and Volume Representative Payees*.

The SSA review team took no actions to identify the extent or seriousness of the identified problems. In cases where Rep Payees did not maintain any records of beneficiary expenses, there is a risk of benefits payment misuse the SSA review team should evaluate and address. The lack of policy guidance may have impacted the review team's ability to effectively evaluate an existing deficiency.

Until SSA develops criteria for evaluating the results of the site reviews, the review teams cannot properly evaluate Rep Payees' performance, which may allow Rep Payees to be retained who are not providing adequate service.

Lack of Guidance Can Result in Insufficient Beneficiary Interviews

To properly determine whether beneficiaries' needs are being met, a sufficient number of beneficiaries should be interviewed. SSA's site review policy requires that interviews be conducted with a sample of beneficiaries. The interviews can be conducted over the telephone or in person. However, SSA's policy does not specify the number of beneficiaries to interview.

For those Rep Payees managing benefit payments for a small number of beneficiaries, a small number of interviews may be appropriate. However, SSA's methodology should provide guidance to determine a sufficient number of interviews to conduct during site reviews depending on the number of beneficiaries served by the Rep Payees. Because SSA does not specify the number of beneficiary interviews, the review teams are not receiving adequate feedback from the beneficiaries about the services provided by the Rep Payee.

Based on our examination of documentation of the completed site reviews and observation of teams conducting these reviews, the review teams were unsure about the number of beneficiaries to interview. Review team members also explained that they often were unable to contact beneficiaries because of the limited amount of time (usually 2-3 days) in which the reviews were performed. Consequently, we found that some review teams interviewed fewer beneficiaries than others.

For the completed site reviews we examined, the number of beneficiaries in the Rep Payees' care ranged from 10 to 742. During 1 review, SSA interviewed 3 beneficiaries for a Rep Payee who received and managed benefit payments for 664 beneficiaries. Furthermore, 2 beneficiaries were interviewed during the site review of a Rep Payee who had 400 beneficiaries in its care. See Appendix A for a summary of the 26 site reviews we examined.

Methodology Did Not Require a Review of Representative Payee Reports

One method SSA uses to monitor Rep Payees is the Representative Payee Report (RPR). The RPR is intended to assist SSA in determining the (1) use of benefits during the preceding 12-month reporting period, (2) Rep Payee's continued suitability, and (3) continued need for representative payment.⁷ Depending on the responses on

⁷ SSA, *Program Operations Manual System*, GN 00605.066, GN 00605.067, GN 00605.090, GN 00605.221.

the RPR, SSA may contact the Rep Payee to determine continued suitability.

SSA's site review policy requires that the review team discuss with the Rep Payee its responsibilities to complete and send RPRs to SSA in a timely manner. However, the policy does not require that the review teams determine whether the Rep Payee is properly completing the RPR. If the site review policy required a review of the RPRs, the amounts reported on the RPR could be compared to the amounts reflected in the Rep Payee's financial records to determine whether Rep Payees are properly reporting on the use of SSA benefits. There was no indication that SSA reviewed any RPRs for the 26 completed site reviews in our sample.

For the 26 completed site reviews, we requested that SSA provide the number of (1) RPRs the Rep Payees should have completed and returned and (2) RPRs actually completed and returned. In response to our request, SSA did not, or was unable to, provide us the requested information for 18 of the site reviews. For the remaining 8 site reviews, SSA provided information based on estimates.

Because SSA does not require a review of RPRs during its site reviews, it is missing an opportunity to determine the accuracy of information it relies on to monitor Rep Payees.

SUFFICIENT AND RELIABLE DOCUMENTATION TO SUPPORT SITE REVIEWS

Standards for Internal Control in the Federal Government, states that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. Control activities help to ensure that all transactions are completely and accurately recorded. Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. Furthermore, all documentation and records should be properly managed and maintained.⁸

Review Teams Did Not Retain Site Review Documentation

The purposes for maintaining documentation for site reviews is to train new review team members, provide background information for review teams performing future site reviews, and support the conclusions and recommendations made during the site review. If documentation is not maintained, the review teams have no data to support conclusions about whether Rep Payees are properly performing their responsibilities.

During our review, we found that SSA's site review policy⁹ did not provide guidance to review teams on the retention of site review documentation. As part of our audit, we

⁸ General Accounting Office, GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, November 1999.

⁹ EM-0072, *Increased Monitoring of Fee-for Service and Volume Representative Payees*.

requested SSA to provide us supporting documentation for the 26 completed site reviews. Our audit showed that SSA did not retain the following documentation.

- **List of Beneficiaries in the Rep Payee's Care** – Before the visit with the Rep Payee, the review team is required to obtain an RPS list of all the beneficiaries in the Rep Payee's care. This information is then used to select a sample of beneficiaries for review and verify if benefits are being paid to the Rep Payee. Our audit showed that SSA review teams did not retain RPS lists to show the number of beneficiaries in the Rep Payee's care at the time of the review for 15 (58 percent) of the 26 reviews.
- **SSA Records of Benefits Paid** – After selecting a sample of beneficiaries for review, the review team is required to obtain SSA's records¹⁰ of benefits paid to the Rep Payee for each beneficiary selected. This information is then used to identify payments for review and to determine whether the Rep Payee's financial records of benefit receipts agree with the benefits paid by SSA. Our audit showed that SSA review teams did not retain the SSA records of benefits paid for 312 (68 percent) of the 462 beneficiary payment records reviewed.
- **Representative Payee Site Visit Worksheets** – The review team is required to document its review of how beneficiary funds were used for each beneficiary selected for review. The Representative Payee Site Visit Worksheets document SSA's review of beneficiary receipts and disbursements during a 12-month period for each sampled beneficiary. If the Worksheets are not maintained, it cannot be determined whether the review team examined and verified the financial records for each beneficiary. Our audit showed that SSA review teams did not retain the Representative Payee Site Visit Worksheets for 345 (79 percent) of the 437 beneficiaries reviewed.
- **Representative Payee Site Visit Client Account Reconciliation** – The review team is required to reconcile the beneficiary account balances according the Rep Payee's financial records with the account balances according the Rep Payee's bank. The site review policy requires that the reconciliation be documented on the Representative Payee Site Visit Client Account Reconciliation form. Our audit showed that SSA review teams did not retain the form for 343 (78 percent) of the 437 beneficiaries reviewed.

For the 26 site reviews, SSA retained all of the Rep Payees. However, there was insufficient documentation to show that SSA review teams properly completed critical elements of the site reviews. Specifically, documentation to support whether SSA review teams

- identified all beneficiaries in the Rep Payee's care;
- determined whether benefits SSA paid agreed with benefits the Rep Payee received;

¹⁰ The SSA payment records that are supposed to be obtained are Master Beneficiary Records, Supplemental Security Income Records and Payment History Update Records.

- determined whether Rep Payees properly used beneficiaries' funds; and
- determined the accuracy of beneficiaries' conserved funds.

Therefore, we could not independently determine whether the results of the SSA review teams supported SSA's assessment of the Rep Payee performance and/or its decision to retain the Rep Payees.

***Reviews Were
Incorrectly Classified
and Reported***

Because of recent concerns with SSA's Representative Payment Program, SSA prepares quarterly reports to Congress to show its efforts to improve the Representative Payment Program. The reports include information on the status of the SSA's triennial site review program. For example, SSA reports the number of triennial site reviews completed during the reporting period and the total reviews completed to date. The reports also provide information on other types of Rep Payee reviews that SSA completed during the same reporting period.

For the sample of triennial site reviews we examined, we found three reviews were incorrectly classified. Regional offices incorrectly classified two random reviews and one 6-month site visit as triennial site reviews. These reviews were subsequently incorrectly reported to Congress as site reviews. We also found that the status of another site review was incorrectly reported to Congress. The status of the review was reported as completed when in fact the review was suspended (see Other Matter).

Of the 30 triennial site reviews we initially intended to examine, 4 (13 percent) were incorrectly reported to Congress. The inaccurate reporting occurred because there is no verification and review of the accuracy of information submitted by the review teams. As a result, SSA reported inaccurate information to Congress.

COMPLIANCE WITH SITE REVIEW REQUIREMENTS

Our audit identified three weaknesses with SSA's management controls that are intended to ensure that site reviews are performed in compliance with the site review requirements.

Review Teams Did Not Review the Required Number of Beneficiary Records

Site review policy requires that the review team select a sample of beneficiary records to be reviewed. The policy suggests that a 10-percent sample be selected, with a minimum of 10 cases and a maximum of 25 cases.

Based on our review of the site review documentation, we determined 11 of the 26 site reviews did not sample the required number of beneficiary records, and 3 of the 26 reviews did not provide documentation of the sample reviewed. The individual results for the 14 site reviews are as follows.

Table 1. Samples of Beneficiaries Records

Type of Rep Payee and Region	Required Sample Size	Sample Size Reviewed
Fee-for-Service (Atlanta)	25	17
Fee-for-Service (Boston)	18	7
Volume (Chicago)	25	5
Fee-for-Service (Chicago)	21	19
Volume (Dallas)	11	9
Volume (Denver)	25	2
Volume (Kansas City)	25	12
Volume (New York)	20	No Documentation
Volume (New York)	23	No Documentation
Fee-for-Service (Philadelphia)	10	3
Fee-for-Service (Philadelphia)	10	9
Volume (Seattle)	16	No Documentation
Fee-for-Service (Seattle)	10	9
Individual (Seattle)	10	7

If the review teams do not review the required number of beneficiary records, they will not have sufficient evidence to determine whether beneficiaries' funds are properly managed and to detect and deter fraud and abuse.

Results of Site Reviews Were Not Reported to Rep Payees

At the conclusion of site reviews, the review teams are required to prepare a close-out letter to Rep Payees. The letter advises the Rep Payee of any deficiencies detected and what actions are needed to correct them. In addition, the letter provides target dates and SSA follow-up actions to ensure the deficiencies are corrected.

Of the 26 site reviews we examined, the review teams did not provide a close-out letter to 12 of the Rep Payees. In 4 of these 12 site reviews, SSA identified the following deficiencies:

- poor recordkeeping system;
- improper titling of bank accounts;
- non-reporting of beneficiaries who exceed the SSI resource limit;
- non-return of conserved funds to SSA; and
- incomplete maintenance of documentation for expenditures on the beneficiaries' behalf.

When the review teams do not provide the close-out letter, the Rep Payee may be unaware of problems that may exist and the need for corrective actions.

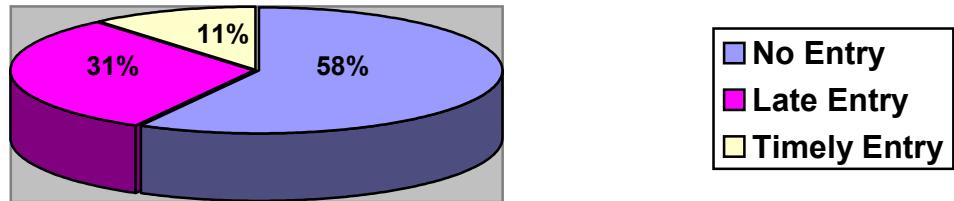
Review Results Were Not Annotated in Representative Payee System

To assist in investigations of the suitability of Rep Payee applicants, the Social Security Act¹¹ requires that SSA develop and maintain a centralized system identifying Rep Payees and the beneficiaries they serve. As a result, SSA created RPS. The RPS is an automated system for entering and retrieving information about Rep Payees and Rep Payee applicants. The RPS also maintains information about beneficiaries in the Rep Payee's care and the relationship between Rep Payees and beneficiaries.

SSA's Site Review Policy requires that review teams annotate the RPS with a brief statement about the results of the site review, including the date of the review and any significant findings. However, we found that 15 (58 percent) of the 26 site reviews we examined were not annotated in the RPS. In addition, 8 (31 percent) of the 26 site reviews were not annotated in RPS within 30 days upon completion of the site review.

¹¹ 42 U.S.C. § 405(j)(3)(E).

Timeliness of Results in RPS



SSA FOLLOW-UP ACTIONS FOR IDENTIFIED DEFICIENCIES

SSA's site review policy requires that identified deficiencies be corrected timely. Specifically, it states "...the review team is required to prepare a closeout letter advising the Rep Payee of any deficiencies detected and what actions are needed to correct them. Also, the review team is required to provide target dates and follow-up to ensure the deficiencies are corrected."

We found that review teams identified deficiencies for nine of the Rep Payees. These deficiencies included

- improper titling of bank accounts;
- untimely reporting of SSI recipients with resources over \$2,000; and
- failure to maintain receipts for purchases made on behalf of beneficiaries.

We found that review teams did not perform follow-up activities for eight of the nine Rep Payees to determine whether corrective action was taken and if the action taken was completed by the target date.

- An SSA site review of a Rep Payee found recipients who had accounts above the SSI resource limit and recommended that the Rep Payee consider using burial accounts. The review was completed in September 2000; however, as of April 2002, SSA had not taken any follow-up action to ensure the problem was corrected. We brought this to SSA's attention; however, as of February 14, 2003, SSA had not informed us of whether it had completed corrective follow-up actions.
- SSA instructed a Rep Payee to correct the titling of bank accounts, decentralize its system of accounting for clients' funds and report events timely to SSA. The close-out letter informed the Rep Payee to make these corrections by May 1, 2001. SSA reported to us that it had completed corrective follow-up actions on April 25, 2002. However, because this occurred after we completed our field work, we did not independently verify whether this occurred.

- An SSA review team found that the Rep Payee did not maintain copies of receipts for purchases made on the beneficiaries' behalf. The review was completed in January 2001. However, as of April 2002, SSA had not taken any follow-up action to ensure the Rep Payee had complied with its recommendation. As a result of our audit, SSA reported to us that it completed corrective follow-up actions in December 2002. However, because this occurred after we completed our field work, we did not independently verify whether this occurred.
- An SSA review team recommended follow-up for reporting of SSI beneficiaries with resources over \$2,000, reporting of interest income, and review of reporting responsibility to SSA. The site review was completed in August 2000. However, as of April 2002, SSA had taken no follow-up actions to ensure corrections were implemented. SSA reported to us that it had completed corrective follow-up actions in September 2002. However, because this occurred after we completed our field work, we did not independently verify whether this occurred.

Conclusion and Recommendations

Our audit identified several areas for SSA to improve its site review methodology; the sufficiency and reliability of documentation gathered during site reviews; compliance with its site review requirements; and its follow-up actions when deficiencies are identified. These weaknesses limit SSA's ability to determine whether Rep Payees are using SSA benefits only for the beneficiary's benefit.

We recommend that SSA:

1. Develop criteria so review teams can determine whether Rep Payees are adequately fulfilling their responsibilities to the beneficiaries they serve.
2. Revise the site review methodology to provide guidance to determine the sufficient number of beneficiary interviews that should be completed during site reviews.
3. Modify the site review methodology to require an assessment of the RPR.
4. Ensure appropriate documentation is obtained and maintained to support the conclusions and recommendations of the site reviews.
5. ~~Require the regional offices to verify with Headquarters the type of review completed.~~

Based on the Agency's comments (See Appendix B), we agree with the Agency's position that field offices are more experienced in conducting reviews and reporting the results of reviews accurately, therefore we deleted this recommendation.

6. Develop oversight mechanisms to ensure compliance with the site review policy.
7. Follow up to ensure identified Rep Payee deficiencies are corrected in a timely manner.

AGENCY COMMENTS

SSA generally agreed with our recommendations. However, SSA agreed only in principle with Recommendation 3 and disagreed with Recommendation 5.

Regarding Recommendation 3, SSA agreed with the idea of considering the importance of RPRs during site visits. As such, the Agency intends to modify its policy to require that reviewers ensure Rep Payees do not have outstanding RPRs and stress the importance of Rep Payees understanding the need for accurate and timely reporting. SSA also stated requiring an assessment of the RPRs as part of the site review is unproductive, serves a different purpose, and covers different time periods. Also, SSA believes the review period covered by the triennial site visits would not coincide with varying reporting periods on the RPRs.

With respect to Recommendation 5, SSA disagreed, and stated the Agency is in its third year under the expanded Rep Payee monitoring plan, and field offices are more experienced in conducting reviews and reporting the results of reviews accurately. In addition, the Agency stated further improvement of the process will occur with more experience. See Appendix B for the full text of SSA's comments.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

We believe the Agency's planned action is desirable and useful. However, we continue to believe a review of RPRs would be a productive endeavor.

Agency policy states the RPR "is used to monitor how the payee spent and/or saved the benefits on behalf of the beneficiary, and identify situations where representative payment may no longer be appropriate or the payee may no longer be suitable."¹² The review of the RPR would provide useful information in determining whether Rep Payees are performing their duties in accordance with SSA policies and procedures. In February 2003, SSA established an electronic imaging system that will image and electronically store all RPR forms. The imaging system should improve the Agency's ability to timely obtain RPRs. SSA should consider using this information when it becomes more readily available. We recognize the RPR may cover a different reporting period than the site review period. However, for a given 12-month period, SSA could verify the reasonableness of the reported benefits and expenses listed on RPRs to the Rep Payee's records.

¹² Program Operations Manual System, GN 00605.001

Rep Payee Fraud

In performing our audit, we identified one site review where we believe SSA did not meet its responsibilities to detect and deter fraud and abuse by a Rep Payee.

Specifically, we learned that SSA initiated a site review of a Rep Payee in January 2001. Before SSA's planned visit, the Rep Payee management informed SSA that they had discovered problems when preparing for the Social Security review of beneficiary records. Specifically, they informed SSA that a former employee was suspected of theft of SSA funds.

SSA's initiated its site review and identified the following problems.

- Sloppy financial recordkeeping.
- No computer records of the monthly balance sheets for 2 months.
- Prior month ending balances did not match the beginning balances for the following month.
- Beneficiary expenses were reflected in the computer files, but there was no supporting documentation of the recorded expenses.
- Receipts to show how the monies were spent were missing.
- The former employee was receiving and paying requests without an authorization from a supervisor.
- Authority to approve beneficiary expenditures was not defined in the policies of the Rep Payee.

SSA discussed the preliminary findings with the Rep Payee management. Given the condition of the records, SSA suspended its site review until the extent of the problems could be identified and corrected. Although the review was suspended and not completed, it was reported as a completed review to Congress.

SSA's subsequent handling of the suspected theft of beneficiary funds raises the following concerns.

SSA Permitted the Rep Payee to Perform the Review - In February 2001, the Rep Payee provided SSA its plan of action to identify the amount of employee theft. SSA accepted the Rep Payee's plan and allowed it to perform the review of itself. The Rep Payee subsequently reported to SSA that a former employee was mishandling beneficiary funds. The Rep Payee agreed to refund approximately \$43,000 to the affected beneficiaries.

SSA Accepted the Rep Payee's Findings - Although documentation and receipts for expenditures were missing, the Rep Payee determined the discrepancies were a result of poor recordkeeping, monitoring and lack of oversight and controls. The Rep Payee confirmed that the employee mishandled beneficiary funds and agreed to refund all monies to the affected beneficiaries. SSA accepted the Rep Payee's findings, and upon completion of corrective actions, SSA has retained the Rep Payee. SSA subsequently informed us that it verified that the Rep Payee refunded the \$43,000 to the affected beneficiaries.

Suspected Theft Was Never Reported to the Office of the Inspector General for Investigation – The Inspector General Act states that it is the Inspector General's duty and responsibility to conduct, supervise, and coordinate investigations relating to the Agency's programs and operations. In support of the Inspector General's duties and responsibilities, SSA policy states that SSA must develop all allegations of Rep Payee misuse and forward cases of potential criminal violation to the Office of the Inspector General. At no time during the review did SSA inform the Office of the Inspector General of the suspected theft of beneficiary funds. As a result, individuals who may have committed theft can not be charged with theft of government funds. In addition, since SSA accepted of Rep Payee's findings it would be very difficult to prosecute anyone. SSA's actions also provided the Rep Payee the opportunity to alter or destroy incriminating evidence.

Appendices

Appendix A

Summary of Beneficiary Interviews for 26 Completed Site Reviews

Number of Beneficiaries in Care	Number of Beneficiary Interviews
742	4
664	3
425	3
400	2
361	25
314	4
265	None*
230	No documentation
225	3
206	No documentation
195	No documentation
175	1
158	No documentation
156	No documentation
152	3
148	4
130	No documentation
114	1
100	3
72	No documentation
32	2
30	5
25	10
25	2
22	2
10	2

*Beneficiary interviews were not conducted because beneficiaries were under 18 years of age.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

31162-24-774

Date: March 21, 2003 Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "The Social Security Administration's Site Reviews of Representative Payees" (A-13-01-11042)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let us know if we can be of further assistance. Staff questions can be referred to Trudy Williams on extension 50380.

Attachment:
SSA Response

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON
THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,
“THE SOCIAL SECURITY ADMINISTRATION’S SITE REVIEWS OF
REPRESENTATIVE PAYEES” (A-13-01-11042)

Thank you for the opportunity to review and comment on the subject draft report. The following are our comments to the specific recommendations:

Recommendation 1

SSA should develop criteria so review teams can determine whether Rep Payees are adequately fulfilling their responsibilities to the beneficiaries they serve.

Comment

We agree. We will provide criteria for review teams when we release new Program Operations Management System (POMS) instructions for site reviews in GN 00605. We expect to have an Intercomponent Review Draft of these site review instructions ready for comment later this year. Specific criteria would provide a consistent method of measuring a payee's performance.

In addition, as reviewers gain more experience with the review procedures, the review results presentations become more polished. SSA has issued instructions explaining the procedures including instructions not cited by the OIG in footnote 9, on page 7, such as EM-00170. This EM contains SSA instructions governing random payee reviews, another initiative under the expanded monitoring program, which provide additional oversight for monitoring payee performance.

Recommendation 2

SSA should revise the site review methodology to provide guidance to determine the sufficient number of beneficiary interviews that should be completed during site reviews.

Comment

We agree. We will clarify our instructions to provide such guidance when we release the new POMS instructions by December 31, 2003.

The POMS instructions provide guidelines for determining the number of interviews to complete during the review as well as guidance for determining when to consider performing a greater or lesser number.

Recommendation 3

SSA should modify the site review methodology to require an assessment of the Representative Payee Reports (RPRs).

Comment

We agree in principle with the idea of considering the importance of RPRs during site visits. We will add to the POMS: 1) a requirement for reviewers to make sure that the Rep Payee does not have any late RPRs outstanding; and 2) a statement that reviewers stress the importance that Rep Payees understand the need for accurate and timely payee reporting. However, requiring an assessment of RPRs as part of the site review would be unproductive since site reviews and RPRs serve different purposes and cover different time periods.

Site reviews ensure that a Rep Payee is adequately performing the duties and responsibilities, is expending the beneficiaries' funds appropriately, and keeps adequate records for the review period, which is the 1 year period preceding the month of the site review. The site visits also include a beneficiary interview feature. The RPR is a 2-page, self-reporting document sent annually to all payees. This paper process does not include the in-depth review and verification procedures that the site visits afford. Further, the review period covered by the triennial site visits would not coincide with varying reporting periods on the RPRs.

Recommendation 4

SSA should ensure appropriate documentation is obtained and maintained to support the conclusions and recommendations of the site reviews.

Comment

We agree. We will ensure appropriate documentation is obtained and maintained to support the conclusions and recommendations of the site reviews.

Retention of the documentation will provide background for the next scheduled review.

Recommendation 5

SSA should require the regional offices to verify with Headquarters the type of review completed.

Comment

We do not believe this recommendation is necessary. As stated earlier, the OIG review was conducted the first year of the expanded monitoring plan. Reviewers experienced some confusion when reporting the type of review resulting in incorrect reporting of reviews as random rather than full reviews and vice versa. We are now in our third year under the expanded monitoring plan, and field offices are more experienced in conducting and reporting the reviews accurately on the Intranet site.

We believe that further improvement in the process will occur with more experience.

Recommendation 6

SSA should develop oversight mechanisms to ensure compliance with the site review policy.

Comment

We agree. The current oversight is limited to a review in the regional offices to ensure that the review and recommendations are consistent with POMS. More thorough guidance in the POMS would allow for better oversight.

Recommendation 7

SSA should follow up to ensure identified Rep Payee deficiencies are corrected in a timely manner.

Comment

We agree. We will strengthen the instructions concerning follow-ups when we issue the new POMS instructions.

We must make a concerted effort to follow up on recommendations given to organizations. The “Onsite Review Guide for Organizational Payees” was issued to field offices in May 2000 and contained instructions for advising the payee about any deficiencies found and following up with the payee after the report date to ensure corrective action had been taken.

Appendix C

OIG Contacts and Staff Acknowledgments

OIG Contacts

Shirley E. Todd, Director, General Management Audit Division, (410) 966-9365

James J. Klein, Audit Manager, (410) 965-9739

Acknowledgments

In addition to the persons named above:

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Kimberly Beauchamp, Writer/Editor

For additional copies of this report, please visit our web site at <http://www.ssa.gov/oig> or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-13-01-11042

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

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

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